AUGUST 1955

The Mortgage Banker

Adventure in Ann Arbor—SEE PAGE 24

MORTGAGE BANKERS ASSOCIATION OF AMERICA
MBA
ORGANIZED 1914

in this issue --------

EISENHOWER'S TOP ECONOMIC ADVISER ON THE BUSINESS OUTLOOK ★ WHAT IS THE FUTURE OF OUR MONEY? ★ HAWAII CALLS

MBA Calendar

July 31-August 6—School of Mortgage Banking, Course I, Stanford University, Stanford, Calif.

October 31-November 3—42nd Annual Convention, Statler Hotel and Biltmore Hotel, Los Angeles.

» FHA VACANCIES: They're higher than last year or the year before but less than they were in 1951 and 1950. FHA's current survey covered over 517,000 dwelling units in all states, the District of Columbia, Puerto Rico, Alaska and Hawaii. Of 517,000 units, less than 23,000 or about 4.4 per cent were vacant.

The 4.4 per cent vacancy ratio for all of FHA's rental project insurance programs combined represents an increase from the 3.5 per cent reported for the same date in 1954 and the 2.8 per cent reported in 1953. This latest rate was below the 7.2 per cent reported in 1950 and the 5.8 per cent reported in 1951.

The national vacancy ratio of 4.4 per cent for all insured projects is composed of regional vacancy ratios ranging from a minimum of 1.6 per cent in New York and New England to an average of 8.5 per cent in the Southwestern states. The Far West reported an average vacancy of 6.1 per cent, and the remainder of the nation—Midwest, Southeast, and Middle Atlantic states—ranged from 4.2 to 4.5 per cent, around the national ratio of 4.4 per cent.

Major FHA programs covered by the survey included the regular rental housing program under Section 207 of the National Housing Act, the Section 608 veterans emergency housing program under which a majority of the units covered by the survey were insured, and the Section 803 military housing program. Vacancy rates for these programs were reported at 12.5 per cent for Section 207 projects which include a number of recently completed dwelling units, 4.2 per cent for the Section 608 program and only 2.9 per cent for the military housing units.

The Mortgage Banker

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Volume 15 **AUGUST, 1955** **Number 11**

Contents

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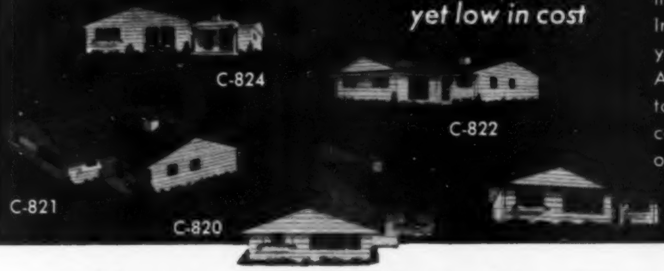

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The Real Estate Market

Major factors in the retail business property market — prices, transfers, rents, vacancies and loans for purchase — show it to be stable and healthy, NAREB's survey shows. The study of 217 real estate boards across the country reveals:

» *Prices* of retail business property in central city areas have remained the same as a year ago in 63 per cent of the communities, while prices for stores in outlying areas have continued the same in 46 per cent of the reports.

» *Numbers of transfers* of these properties have been about the same in 58 per cent of the cases in central city areas and increased in another 19 per cent compared with a year ago, while the transfers of shops in outlying areas were the same in 39 per cent of the communities, and greater in 48 per cent.

» *Rents* are stable, in general, with two-thirds of the reporting boards finding no change in this factor from that of a year ago.

» *Vacancies* in stores and shops are negligible generally, with 52 per cent of the boards reporting untenanted establishments at a rate of 1 per cent or less, and an additional one-fourth finding a 2 per cent vacancy rate.

Purchase prices had risen in the central business districts in 20 per cent of the communities and dropped in 16 per cent, while prices rose in outlying districts of 38 per cent of the reporting communities, and dropped in 16 per cent.

Forecast for the last half of 1955:

"Stable prices for retail business properties are anticipated by most boards. Seventy per cent expect them to continue at current levels. Rising prices during the second half of 1955 are predicted for 23 per cent of the cities."

A second survey of 307 members of NAREB's Mortgage Council filled in the market picture further with these compilations on mortgage loans:

» *Availability of loan money:* Most areas have an ample supply of loan money for "preferred risk" properties —those in prime locations or those occupied by organizations having nationally accepted credit standings.

» *Interest rates:* Credit terms are favorable for borrowers in the retail business property market generally when the loan is for properties in prime locations. The dominant interest rate is 5 per cent. Even more favorable are terms generally for borrowers offering as collateral those structures tenanted by companies with "national credit leases." Here, well over three-fourths of the Council members reported prevalent interest charges of less than 5 per cent.

Downward drift of prices of existing houses, apparent in the spring of 1954, has reversed itself in some cities, another NAREB survey reveals.

Despite this reversal pattern in some areas, current prices of existing homes are lower than those prevailing a year ago in more than half of the cities.

For the second half of 1955, about half of the areas (48 per cent) predict that price tags on existing houses will remain about the same, while 43 per cent look for a further decline.

The volume of trade of existing houses in the majority of cities is reported to be the same or higher than it was a year ago, reflecting the vigorous market for older homes coexistent with the high level of new home building.

Prices of new houses are about on the same level as in the spring of 1954 in more than half the communities, but an upward movement was noted in more than a fourth of the areas compared with a year ago.

The number of transfers of new homes is as high or higher than it was a year ago for residences in all price ranges in the vast bulk of the areas.

Most of the real estate boards believe the current volume of new single-family construction will continue during the second half of 1955 or will increase. Moreover, they do not anticipate a price rise for new houses.

Consumer demand for quality shelter is being met through a sustained production and an active filtration process. Home buyers, with a record level of personal income, are moving up the housing scale or exchanging their present abode for a dwelling of size, location, or design that better meets their current family needs.

THE SOLVENCY OF FHA

FHA's new actuarial study shows that the Mutual Mortgage Insurance Fund, the first of 11 funds to be established and the largest in terms of insurance in force and earned surplus, attained a balance status at the end of last year. A balance status for the fund exists when the earned surplus is equal to or larger than the contingent liabilities of the fund. This means, Commissioner Mason said, that this fund is now in a position to meet such future losses and expenses as might be incurred in the event that adverse economic conditions of approximately depression magnitude were to develop immediately.

Another fact which the study discloses is the improvement in the

financial status of the second largest fund, the War Housing Insurance Fund. One of the tables in the FHA report shows how the gap between the earned surplus and the reserve liabilities has narrowed over the last three years.

In addition, there are four mortgage insurance funds which have not yet attained a balance status. This is because they were either recently established or the bulk of the insurance contracts assigned to them is of recent origin. They are (1) the Title I Housing Insurance Fund for the low cost housing program under which no new insurance is currently being written as the low cost program is now included in the home mortgage insurance plan under Title II; (2) the Military Housing Insurance Fund that covers FHA housing at military installations and is provided for under the Wherry Housing Bill which is Title VIII of the National Housing Act; (3) the National Defense Housing Insurance Fund for programmed housing for defense workers which was provided for by Title IX of the Act; and (4) the Housing Insurance Fund for multifamily housing projects under Section 207 of the Act and cooperative housing under Section 213 of the Act.

Mr. Mason explained that these funds haven't had sufficient time to accumulate the necessary earned surplus. The remaining mortgage insurance funds show a balance status either because they have no insurance in force or very little as yet. With one exception, they are funds which were established last year.

No valuation has yet been prepared for the Title I Insurance Fund covering property improvement loan insurance. The resources of this fund, consisting of over $34 million of earned surplus and nearly $30 million of unearned premiums, constituted 4.58 per cent of the outstanding insurance under this program on December 31, 1954. The adequacy of these resources is evident when compared with the maximum claims paid under Title I since 1934 which amounted to 4.02 per cent for insurance written in the period from 1934 to June 30, 1939. After allowing for recoveries by collection efforts after payment of these claims, the gross claim payments of 4.02 per cent were reduced to 1.89 per cent net claims.


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The President's Chief Economic Adviser Tells Why, in His Opinion

WE CAN AVOID SEVERE ECONOMIC DEPRESSIONS

AMERICANS continue to believe in economic progress through free and competitive enterprise, just as our fathers did. We have also come to believe that progress need not proceed as fitfully as in the past and that severe business depressions may be avoided. The past century was a period of unparalleled growth, but was also a period of very irregular advance. Between 1855 and 1955 our economy experienced 24 full waves of expansion followed by contractions. Most of these setbacks to economic growth were brief and mild. But some setbacks were severe, as in 1857-58 and in 1907-08, and others were protracted as well as severe, as in the 1870's, the 1890's and the 1930's. Whenever an economic depression developed, people generously shared what they had with their less fortunate neighbors. These personal efforts were supplemented by private welfare agencies, which distributed provisions to the needy, and occasionally by work relief financed from public funds. Such measures, however, were uneven in their impact; they sometimes added to the feeling of degradation produced by unemployment itself; and they accented relief rather than prevention. They could not long satisfy the requirements of a society which, in the process of undergoing rapid urbanization, was also learning to express its aspirations for a better life through the ballot boxes of democracy.

Arthur F. Burns

The concept of governmental responsibility for moderating economic fluctuations developed gradually, in response to a succession of crises. When the crisis of 1907 struck, it was already clear to students of earlier monetary disorders that the federal government was capable of preventing financial panics and that it had a responsibility to do so. After the turbulent price movements during and immediately after World War I, theoretical economists were no longer alone in believing that the federal government could curb the gyrations in the value of the dollar and that it had a certain responsibility to do so. After the stock market crash in 1929, unemployment and general discontent mounted so rapidly that our traditional belief in govermental aloofness from the course of business became untenable. Extensive measures to stimulate employment were put in motion by the government, first under the Hoover Administration, later on a broader scale by the Roosevelt Administration. During World War II unemployment vanished, but the

By ARTHUR F. BURNS

Today, with the country just finishing the greatest half year's business in its history, the possibility of depression does not loom very large in the minds of most Americans. Yet side-stepping another economic tailspin is the very heart of the Eisenhower philosophy — it must not happen again. The principal spokesman for that philosophy is Dr. Burns who is chairman of the President's Council of Economic Advisers. He is firm in his belief that we must "prevent the confidence that generates prosperity from passing into the over-confidence that generates speculative booms . . . the time to prevent recessionary forces is during the prosperity phase of the business cycle, when excesses often develop in the sphere of price, credit and inventories." This, then, is the official blueprint of what we must do and how we must act to achieve the future economic stability that every American wants.

memory of its ravages during the 1930's remained vivid. As the war approached a close, grave apprehension was felt that mass unemployment might return, once millions of men were released from the armed forces and the civilian establishments that supported them in the battlefields. To register the nation's determination that this must not happen, the Congress passed with an overwhelming vote of both our major parties the Employment Act of 1946. This Act solemnly declared that the federal government has a responsibility to use all practicable means to foster free competitive enterprise, to prevent or moderate economic fluctuations, and to promote maximum employment, production, and purchasing power.

Lesson in Taxes

The Employment Act reflects a revolutionary change in our attitude toward the business cycle. Only a generation ago it was the typical view of economists and other citizens that storms of business depression must be allowed to blow themselves out, with little or no interference on the part of government. Today there is substantial agreement among Americans that the federal government cannot remain aloof from what goes on in the private economy, that the government must strive to foster an expanding economy, and that the government has a definite responsibility to do all it can to prevent depressions. A generation ago the business cycle was a technical subject understood very imperfectly even by experts. Today there is better as well as wider understanding of the nature of economic fluctuations and of the ways in which government must seek to deal with them to promote the general welfare.

How much we have learned about dealing with the business cycle becomes clear once we turn our minds back to the 1930's, when the first large steps were taken to curb the excesses of economic fluctuations. The period from 1932 to 1936 was a period of very extensive unemployment. The number of the unemployed was in the neighborhood of 10 million or higher. Unemployment in the best year of this quinquennium was 17 per cent of the civilian labor force. Unemployment in the worst year was 25 per cent. This period is often remembered for its monetary experiments and governmental spending programs, but these years also witnessed extraordinary new burdens of taxation.

During this period exemptions under the individual income tax were lowered from $3,500 to $2,500 for married persons. The minimum rate of the tax was raised from 1.5 to 4 per cent, and the maximum rate from 25 to 79 per cent. The exemption of dividends from the normal tax was repealed. The rate of tax on capital gains was substantially increased. The tax rate on corporate profits was raised from 12 to 15 per cent, besides enacting a capital stock tax. An undistributed profits tax was imposed, with a maximum rate of 27 per cent. The exemption under the estate tax was sharply reduced, while the maximum rate of tax was raised from 20 to 70 per cent. A gifts tax was enacted, with a maximum rate of 52 per cent. A wide variety of new excise taxes were levied—on automobiles and parts, cameras, phonograph records, sporting goods, furs, jewelry, radios, refrigerators, gasoline, electrical energy, telephone and telegraph messages, and toilet preparations. For a time, even candy, chewing gum, and soft drinks carried excise's, as did checks drawn on bank accounts.

The heaviest increases of taxation were imposed under the Revenue Act of 1932, but new and still larger burdens came in quick succession — in 1934, 1935, and again in 1936. These drastic increases of taxation served to reduce the spending power of consumers and business firms; they also created grave uncertainty about the future. By spreading fear that the tax system was increasingly being used to redistribute incomes and to punish success, they weakened the incentives to invest and to innovate. In retrospect, there can be little doubt that the fiscal policies of the 1930's, which combined onerous taxation with sharply increased spending and borrowing, disrupted the confidence of many people in the country's economic future and thus reduced the effectiveness of the constructive measures taken at the time to lay a foundation for economic recovery and to speed its course. Even as late as 1940 the unemployed constituted nearly 15 per cent of the civilian labor force.

The failure to reckon adequately with the state of confidence during the 1930's has taught our generation a lesson that proved useful in our most recent encounter with business recession. Around the middle of 1953, a contraction in economic activity got under way, initially as a result of businessmen's efforts to correct an imbalance between production and sales that had emerged earlier in the year. This inventory adjustment was soon complicated and aggravated by the decline in military spending that followed upon the close of hostilities in Korea. To curb the gathering forces of contraction, the federal government promptly embarked on a program of encouraging private spending through tax reductions, monetary ease, and good housekeeping.

In September, 1953, the Administration announced that a cut in personal income taxes, averaging around 10 per cent for the lower and middle incomes and about 1 to 2 per cent in the highest brackets, would become effective on January 1, 1954. The excess profits tax was allowed to terminate on the same date. Three months later a substantial reduction of excise taxes was enacted by the Congress. A little later the Internal Revenue Code of 1954 was adopted which, besides correcting various personal inequities, liberalized depreciation allowances on new investments, reduced the double taxation of dividends, and facilitated the treatment of research and development outlays as current expenses.

These tax revisions, which reduced the nation's tax bill by the huge sum of $7.4 billion on a full-year basis, were debated by the Congress extensively. The most significant fact about last year's tax debates, however, is that they centered on the magnitude and kind of tax cuts that would be most desirable, not on the question whether taxes should be raised or lowered. We had learned through

hard experience that in a time of declining business activity it is wiser to reduce taxes than to raise them, that tax reductions can effectively offset the decline in incomes that accompanies a decline of production, and that tax revisions can be used to bolster that confidence in the economic future on which any significant increase in private spending and employment must ultimately rest. Having learned these lessons well, we were able to carry out a tax policy which increased the ability as well as the willingness of consumers and businesses to augment spending.

Lesson in Credit

Another lesson that we have learned through experience—it would perhaps be more accurate to say relearned—is that an easing of credit conditions can be very helpful in checking an economic decline. No central bank is likely to repeat in the near future the blunder of the Federal Reserve System in the autumn of 1931 when, in the face of widespread economic fears and troubles, a tightening of credit was permitted to occur. Nor has the ineffectiveness of the liberalizing actions that followed in early 1932 escaped the attention of experienced observers. It is not enough that the monetary authorities increase the availability and reduce the cost of credit during the declining phase of a business cycle. If such action is to be used with maximum effectiveness, it must come when the level of business and consumer confidence is high. This condition is more likely to prevail in the early than in an advanced stage of a business contraction, and it is most likely to prevail when the government is attentive to the need for maintaining policies that protect and strengthen economic incentives.

In a changing world, monetary policy must be flexible and there are times when economic stability requires that the changes come swiftly. In May and June of 1953, when an incipient but potentially dangerous scramble for liquidity developed, the Federal Reserve authorities responded promptly by adopting a policy of credit ease. This shift was carried through even before a perceptible decline had occurred in business activity. During the rest of 1953 and the greater part of 1954 the Federal Reserve System pursued energetically a policy of making credit readily available on liberal terms to businessmen, State and local governments, prospective homeowners, and consumers. These boldly executed monetary measures, together with the tax reductions and other encouragements to enterprise, bolstered the confidence of people in their own and the country's economic future. They go far to explain why the recent contraction in business activity proved so mild and brief and why our nation is now again setting new records in production, employment, and incomes.

Besides better and wider understanding of how fiscal and monetary policies can contribute to economic stability, we have made progress along other directions for dealing with the business cycle. One of the most constructive achievements of the 1930's was the introduction of a system of unemployment compensation. This system, which provides a first line of defense against business recession, has been greatly strengthened during the past two years. Last year the Congress extended unemployment insurance to over two million federal employees and to 1.3 million employees of small establishments—that is, firms having less than eight but more than three employees. The Congress also established a fund from which a state whose unemployment reserves became dangerously low could borrow.

Furthermore, the President has repeatedly urged the states to modernize their unemployment insurance laws, first, by raising benefits in keeping with the increases that had occurred in wages; second, by extending the duration of benefits. Many states have already responded to the call for action. In the past two years, 25 states, besides the District of Columbia, have raised the amounts that could be paid weekly to unemployed men and women covered by the insurance system. Seven states and the District of Columbia have also lengthened the duration of the period for which unemployment benefits may be paid. Of special significance is the recent statute in Pennsylvania which sets a maximum of 30 weeks' benefits. This is the first instance in which a state has allowed benefits to run beyond a 26-week period.

Another direction in which we have made headway during the past two years is in the field of public works planning. The objective of federal planning has been to prevent a repetition of the experience during the 1930's when great delays in construction work followed substantial appropriations by the Congress, and when considerable sums were spent on some dubious undertakings. We have now developed an inventory of plans for federal public works projects which have been screened from the viewpoint of their importance and usefulness. The individual projects are distinguished according to their location, their cost, the period required for their execution, the amount of employment they would provide, the status of their planning and financing, and the number of months that must elapse before actual construction can start — provided there are no obstacles on the side of financing. With information of this sort at hand, supplemented by similar but less detailed data for states and localities, it would be possible to embark on an accelerated public works program, if that became desirable, with little delay and with the assurance that the money would be usefully spent.

Steps have also been taken by the federal government to increase the backlog of plans, so that a substantial as well as accelerated public works program could be inaugurated if economic conditions ever warranted such action. Larger sums have been budgeted by various federal agencies for the development of preliminary plans for future projects. Furthermore, the Congress authorized last year a three-year program of advances to aid states and localities in making preliminary engineering surveys and designs for public works. This year the Administration has requested that the authorization be raised and that a revolving fund of indefinite duration, instead of a three-year program, be established. In making this recommendation to the Congress the Administration has said in effect, first, that the

(Continued page 19)

PRIME QUESTION FOR TODAY:

WHAT IS THE FUTURE OF OUR MONEY?

By E. SHERMAN ADAMS

WHAT will the dollar be worth ten years from now, how many dollars will there be, will money command a living wage? Prime questions for today, to which Mr. Adams addresses himself, coming up with some answers which appear logical and thus inspire our confidence in the future. Mr. Adams is ABA deputy manager in charge of the department of monetary policy and recently addressed the Oregon Bankers Association on the subject.

WHAT does the future hold for money? What will a dollar buy 10 years from now? How many dollars will there be? What will money rent for? Will it be a drug in the market or will it command a living wage?

E. Sherman Adams

Today, despite wars and alarms of war, the monetary system of the United States is basically sound. There is no sign of any threat to the continuing strength of the dollar. In any continent one may visit, if you pay your way with dollars, they are accepted with alacrity. Nothing can do so many jobs so well throughout the world as the United States dollar.

Our currency is backed by the largest gold stock ever accumulated by any nation. This is more a reflection of the strength of the dollar than a cause of it. Gold depends more upon the dollar than the dollar depends upon gold. Gold itself is on a dollar standard.

The fundamental reason for the strength of our money is the tremendous productive capacity of this country. Our banking system is in strong condition. Most of our money consists of bank deposits which are based upon the loans and investments of our commercial banks. The quality of these assets is high and their liquidity is more than ample. Our monetary and credit system is stronger by far than it was years ago.

To be sure, the dollar today is not what is used to be. Over the past 40 years, its buying power has declined. The main reason for this was that we became involved in two world wars. By comparison with the currencies of other belligerents, the American dollar came off very well indeed.

Another big war would mean further inflation — though most of us might be too busy or too dead to notice it much at the time. However, we must assume that war will be averted. Barring war, therefore, what are the prospects for the value of the dollar over the next 10 years?

Most everyone owns some U. S. savings bonds. When you buy savings bonds today, you are buying 1965 dollars. It is highly pertinent to inquire what these 1965 dollars may be worth. Are 1965 dollars a bargain in today's market or ought they to be quoted at a discount?

The question obviously has broader significance than just its application to savings bonds. It concerns the future buying power of all bank deposits, all life insurance and all incomes. It is vitally related to the stability of our whole economy. Few questions have such far-reaching implications for the welfare of the American people.

Protection of the value of the dollar is one of the chief aims of public economic policy in this country. Our overall objective might be described as being to achieve the maximum sustainable level of employment and production without causing inflation.

A potential threat to this objective is the concept of "full" employment as it is interpreted by some people. The interpretation I refer to might be termed the doctrine of constant hyper-employment. Adherents to this dogma believe our economy should operate at fever pitch at all times. They would tolerate no let-ups, no readjustments.

This doctrine is clearly inflationary. It implies sellers' markets for labor, raw materials and finished goods. It implies large Federal deficits whenever the pace of economic expansion slackens. It implies the emasculation of monetary policy as an economic stabilizer.

Fortunately, the events of recent years have greatly helped to discredit this doctrine. The critical test came in 1953 and 1954 when the policy makers in Washington had the courage to check an inflationary upsurge and then to resist pressures for drastic government action to stimulate the economy. Some stimulants were used, but not the big, bold measures that the hyper-employment boys told us were imperative to avoid a severe depression.

The recovery of our economy since last summer may therefore be more significant than is generally realized. This comeback has been remarkable in several respects. First, it started surprisingly soon. Second, it has been steady and orderly. Third, it has been achieved without resort to enlarged federal spending—in fact, last year government expenditures were actually reduced. Finally, it is particularly impressive that we have already attained new record levels of production without the stimulus of war, a new rearmament program, an inventory boom or inflation.

In short, inflation was stopped in its tracks without causing a serious recession; and recovery has been achieved rapidly without drastic governmental intervention.

These lessons will not be lost on the American people. The goal of prosperity without inflation seems more feasible now than it did a few years ago. The dire predictions of its critics have been refuted by actual experience. There is less likelihood, therefore, that over the years ahead the American people will buy a policy of perpetual inflation.

Despite these reassuring developments, some people are still fearful that the government's fiscal operations in the future will prove to be inflationary. They cite the fact that despite generally good business and despite determined efforts to reduce federal expenditures, the budget has not been in balance since 1951. They point out that over a period of years budget deficits are likely to exceed surpluses and that the public debt will therefore rise.

Actually, the fiscal record of recent years is not as bad as some people seem to think. As soon as it became apparent that we were going to embark upon a big rearmament program, the American people had the fiscal maturity to support a sizable boost in taxes to cover most of the cost. Over the past five years since the Korean outbreak, despite a vast rearmament build-up and a subsequent economic readjustment, the deficit in the federal budget has averaged only $3 billion annually; and on a cash basis, fiscal operations have actually shown a small surplus.

It is widely recognized, also, that a moderate increase in the public debt over a period of years would not be calamitous. A budgetary deficit of several billion dollars is less serious in our $375 billion economy of 1955 than it was when our total output of goods and services was much smaller. The debt has risen moderately since 1948, but it is nevertheless lower today than it was then in relation to national income and in terms of debt per capita.

There is no blinking the fact that Congress is under constant pressure to spend more money and that with taxes at such high levels, the clamor for tax relief may become insistent whenever a surplus is achieved in the budget—or even before. However, the existence of these pressures does not mean that we should throw up our hands in despair. We should certainly not abandon the goal of a balanced budget nor should we cease striving to achieve some reduction of the debt when circumstances permit. Indeed, it is essential to adhere to these objectives in order to prevent the pressures on the budget from getting out of hand.

There are ample grounds for believing that this job can be done. Considerable progress has already been made toward reducing waste and inefficiency in government operations. If we have the determination, we can keep "big government" under control.

Another factor making for higher prices is the pressure of wages and other labor costs. Every one who has any background in economics knows that when wages rise faster than the average increase in productivity prices tend to rise. This is not understood, however, by most people and, consequently, there is not much public resistance to large wage increases that tend to raise living costs for everyone.

During the past few years, the effect of rapidly rising wages has been obscured by the fact that the overall

"The monetary system of the United States is basically sound. There is no sign of any threat to the continuing strength of the dollar. In any continent one may visit, if you pay your way with dollars, they are accepted with alacrity. Nothing can do so many jobs so well throughout the world as the American dollar."

price level has been stable. This has been due largely to the downward readjustment of some prices that ran up very sharply after the Korean outbreak in 1950. Offsetting readjustments of this kind may not continue indefinitely.

As for the future, the pressure of wages will be much less inflationary if we adhere to the goal of economic stability than if we go in for continuing inflation and create conditions which stimulate wage demands and reduce the resistance to them. As labor organizations become more secure and mature, they may become more moderate in their demands. Much will depend upon the statesmanship and the sense of social responsibility of those who participate in future wage negotiations.

There is another aspect of this wage picture that is sometimes disregarded. Rising wages exert pressure on business owners, managers and engineers to improve constantly the efficiency of production. This has probably been an important reason for the accelerated gains in industrial productivity in recent years. It may help to sustain this rate of increasing production per man-hour in future years. Rising productivity is the strongest anti-inflationary force in our economy.

Another important determinant of the future value of money will be monetary policy. We all know that the Federal Reserve System possesses far-reaching powers with which to combat inflation. The question is whether the public will support the effective use of these powers. Unless it does, monetary policy cannot long survive as an anti-inflation weapon.

On this question, too, there exists today more solid grounds for optimism than a few years ago. Since its liberation from Treasury domination in 1951, Federal Reserve policy has demonstrated its usefulness in convincing manner. There has been a growing public appreciation of the role that a flexible monetary policy can and should perform, and of the importance of preserving the independence of the Federal Reserve System.

There is no reason why further progress cannot be made in this direction in the future and, if it is, then monetary policy can be counted upon to serve as a major bulwark against inflation.

Several other considerations deserve mention. If one were to select the most inflationary factors in our economy over the past 10 years, they would certainly include the following: the wartime inflation of our money supply, the pent-up demands for goods, the rearmament build-up, and American aid for economic rehabilitation abroad.

Our economy has now grown up to our expanded money supply; pent-up demands have been satisfied; the rearmament build-up has been built; and rehabilitation abroad has been accomplished. The force of all of these inflationary factors is by now pretty well spent.

In short, there are good reasons for believing that over the years ahead we should be able to avoid further serious depreciation in the value of our money.

How much money there will be, say, 10 years from now?

Over a period of years, changes in our money supply bear some relation to changes in the value of our total output of goods and services—our gross national product. When wages and employment increase, more money is needed for payrolls. As output expands, more money is needed to transact a greater volume of business.

Various projections have recently been made as to how much our economy may grow in future years. Even on the basis of fairly conservative assumptions with respect to additions to the labor force and rising productivity, these projections indicate that gross national product in 1965 may be somewhere around $500 billion to $550 billion in terms of 1955 prices. Even the lower figure would mean an increase of more than one-third from current levels.

On the basis of past performance, there is nothing wild about these projections. In fact, the only thing that would prevent them from coming true would be a prolonged depression such as we had during the '30s.

Is there any real danger that such a depression could occur? After World War II, many people feared a serious slump in business. Their "what-goes-up-must-come-down" theory had plenty of historical backing.

Now that we have successfully weathered three periods of economic readjustment, some people are ready to believe that the business cycle has been licked. Their new theory seems to be that what goes up goes higher.

The truth probably lies between these two extremes. Our economy has now become pretty well adjusted to the higher price level that resulted from the war, and we should be able to avoid a big postwar deflation. The experience of recent years has demonstrated that our economy has become less vulnerable to deflation than it used to be.

This does not mean that we have learned to eliminate the swings of the business cycle. It does suggest that the swings will not be as wide in the future as they were in the past and that the danger of a prolonged depression is remote.

Assuming, then, an expansion of one-third in production and incomes over the next 10 years, it is apparent

"One thing we can be quite sure of is that interest rates will not again decline to the abysmally low levels they reached during the late '30s. . . . Where will interest rates be in 1965? Assuming that 1965 is a year of normal good business—neither boom nor recession—then my guess would be that the general level of interest rates may be somewhat higher than prevails today."

that the amount of money on deposit in banks should increase substantially. Demand deposits should expand at least as rapidly as gross national product; and the rise in time deposits, judging from trends in recent years, may be considerably faster.

Even allowing for a possible decline in the rate of increase of savings deposits, and assuming little change in government and interbank deposits, it does not seem at all unreasonable to anticipate that total deposits of all commercial banks may increase by $60 billion to $70 billion by 1965. That would mean an average rise for the banking system as a whole of about 35 to 40 per cent.

This prospect has interesting implications. For one thing, it is clear that unless bank reserve requirements are lowered, the Federal Reserve would have to supply the banking system with huge quantities of additional reserves to enable it to meet the nation's needs for additional bank deposits and currency. If this were to be done by means of open market operations, it would mean a large increase in the Federal's already vast holdings of government securities.

The chances are, therefore, that the Federal Reserve authorities will continue to work in the direction of lower reserve requirement ratios and that by 1965 these ratios may be appreciably lower than they are today.

Even more significant, a $60 billion to $70 billion increase in bank deposits obviously implies a corresponding expansion of bank loans and investments. How else could the banks balance their statements of condition? Where else could so much money come from? Certainly not from additions to our hoards of gold and silver. Most of that additional money will have to be created by additional bank lending and investing.

No one can say, of course, how this will be distributed among various categories of bank loans and investments. Over the past 10 years, the increase of bank loans to individuals, chiefly in the form of consumer credit and real estate mortgages, has been sensational. This trend may still have a long way to go as more and more families move up into income brackets where they become potential bank customers. Over the coming decade, this category of bank assets may again show the greatest percentage of dollar increases.

The expansion of business loans over the past decade has been stimulated by several transitory factors, particularly the restocking and expansion of business inventories at sharply higher price levels. Nevertheless, as business continues to expand in the future, it is logical to anticipate some increase in the demand for business loans.

As for bank investments, it seems clear that states, municipalities, and public authorities will continue to be heavy borrowers and that banks will continue to add to their holdings of these obligations. That brings us to the last major category of bank earning assets—U. S. government securities. What will happen to these holdings?

Some rise in bank holdings of government securities would not, of course, be alarming—nor even necessarily undesirable. The big increase that has occurred in these holdings over the past 25 years has unquestionably strengthened our monetary system and made it a stabilizing factor in our economy. It may be desirable under some circumstances to try to reduce bank holdings of governments, but over the years we would not want to see a sharp reduction in the proportion of governments to total banking assets.

Generally speaking, the banking system tends to be the residual holder of the portion of the public debt that nonbank investors do not wish to hold. Over the next decade, some groups of nonbank investors may wish to continue to shift from government securities into higher yielding investments. Also, as we have seen, there could easily be some increase in the total public debt during this period. On the surface, this picture might seem to suggest a sizable expansion in bank holdings of government securities.

There are, however, offsetting considerations. Over the past five years, the government's investment accounts have been absorbing debt at an average rate of $2 billion a year. Also, state and local governments and private pension funds will probably continue to be buyers of governments on balance.

Even corporations may add to their holdings. This may not be the case over the next few years because of the effects of the new "pay-part-as-you-go plan" for corporation income taxes. Over a 10-year period, however, corporations will doubtless increase their working capital substantially, and they may wish to hold more governments than they do today. The suggestion has been advanced that it might be desirable if corporations were to hold fewer government securities, rather than more. This idea may have its points, but it is not easy to see how this could be brought about without resorting to the questionable expedient of driving down Treasury bill rates and keeping them at such artificially low levels that corporation treasurers would regard short-term governments as not worth bothering with. Such a policy, of course, might have rather serious implications for other short-term rates, including bank lending rates.

Putting all these pieces together,

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you may conclude that over the next 10 years the expansion, if any, in bank holdings of Treasury obligations may not be very great. In fact, unless there is a really big increase in the total public debt, the proportion of bank assets invested in government securities will in all probability decline. This is another way of saying that most of the growth in banking assets over the next decade will be in risk assets.

The final question is what will happen to the rental price of money—interest rates.

One thing we can be quite sure of is that interest rates will not again decline to the abysmally low levels they reached during the late '30s. For one thing, those low rates developed during a period of business stagnation which, as we have seen, is very unlikely to recur. Moreover, the main reason why rates plummeted as far as they did was the huge influx of gold which followed the devaluation of the dollar and which created an enormous quantity of excess reserves. At that time the Federal Reserve System was unable to eliminate these excess reserves because its portfolio of government securities was not large enough to permit absorbing them by means of open market operations.

Today the Federal Reserve's portfolio is more than ample to enable it to offset the effects of any possible increase in our monetary gold stock. This being the case, it is hardly conceivable that the Federal Reserve would permit interest rates to decline to the extremely low levels of the late '30s and early '40s.

On the other hand, the Federal Reserve authorities do not seem to have any long range objective with respect to the level of interest rates. Apparently they do not think in terms of working in the direction either of higher rates or lower rates as a norm over the years ahead. Their attitude seems to be that rates should be permitted to fluctuate largely in response to market forces, modified to some extent by Federal Reserve actions aimed at helping to stabilize the economy.

This does not give us much clue as to whether the long range trend of interest rates will be upward or downward. It does suggest, however, that the trend will be determined chiefly by market forces of supply and demand.

In this area, there is one factor that deserves particular attention, namely, the tremendous prospective demand for capital goods. Technology has been rapidly increasing the productivity of capital goods in industry, and the pressure of higher wages has been sharpening the ingenuity of business managers in using more machines. It also seems probable that there will continue to be strong demand for credit to finance home building and other types of construction over the next decade. This will be particularly true in the early '60s when the formation of new families is due to increase rapidly as the bumper crop of babies born during World War II becomes brides and bridegrooms.

If these demands for capital materialize, they will have a firming effect on interest rates.

Another consideration is that money rates today may still be suffering from the effects of the prolonged period of abnormally low rates. The increases that have taken place since 1946 have largely represented a long-delayed adjustment from a sub-subsistance level. It may be that some further adjustment may be needed to reflect the return of more normal supply-demand relationships.

Where will interest rates be in 1965? No one knows. Assuming, however, that 1965 is a year of normal good business—neither boom nor recession—then my own guess would be that the general level of interest rates, and especially bank lending rates, may be somewhat higher than prevails today.

All things considered, the outlook for money is by no means discouraging. This, however, is no excuse for complacency. There are still serious hazards along the road that lies ahead.

These hazards are mostly in the area of monetary and fiscal policy. The future of money will depend in large measure upon the effective use of monetary policy and upon the soundness of governmental finance.

AVOIDING DEPRESSION

(Continued from page 13)

need for extending local public works planning is continuous and that it will therefore not do to set up a program for a limited period; second, that the current backlog of local plans is inadequate and that a much larger sum is needed to improve the backlog.

Besides these steps in the direction of a realistic public works policy, the President has submitted to the Congress a carefully devised plan for a National Highway System, which calls for a federal expenditure of $25 billion over a 10-year period, besides federal grants-in-aid for other parts of our network of streets and roads. The primary aim of the Administration's road plan is to meet the urgent need for modern highways and thereby stimulate economic growth. However, if this plan becomes law, it will undoubtedly be possible as well as desirable to adjust the rate at which the construction work proceeds to the state of the nation's business and employment.

In addition to these measures, the government has recently taken other steps that strengthen our defenses against the threat of a possible depression, such as the extension of the "carry-back" of losses for income tax purposes from one year to two, and the grant of a limited discretionary authority to the President to liberalize the terms on which the federal government will underwrite home mortgages. These and related measures illustrate the increasing attention of government to the encouragement of economic growth and the avoidance of unemployment. They reflect our improved understanding of the processes of business cycles, an awareness that governmental actions to check recessionary influences must be timely, and a recognition that these actions need by no means encroach on the sphere of the private economy or inaugurate new spending programs, but may instead increase the scope and vigor of private enterprise.

In view of our improved knowledge of business cycles and the general acceptance of government's responsibility to help achieve a stable prosperity it is reasonable to expect that we shall be able to avoid deep and protracted depressions in the future. There is no good basis as yet, however, for assuming that the business cycle has been eliminated or that this will soon happen. Neither in our own history nor that of any other country has an economy ever realized the ideal of stable growth for a long period of time. If businessmen or consumers choose to speculate in inventories, a curtailment of production is sooner or later bound to follow. If speculative builders create an oversupply of housing, years must pass before the supply of dwellings is brought into balance with the demand. If stock prices are bid up sharply, especially if this occurs with the aid of borrowed money, a price reaction may create financial pressure or despondency later. If the quality of credit deteriorates, whether for housing or automobiles or anything else, even a very temporary decline of employment may cause embarrassment to both lender and borrower. If several such developments should occur simultaneously, the ability of the government to limit an economic downturn might be severely tested.

That is why it is so important to prevent the confidence that generates prosperity from passing into the overconfidence that generates speculative booms. Private citizens must share this responsibility with the government. It is not prudent to rely on our ability to check an economic recession once it develops. The time to begin combatting recessionary forces is during the prosperity phase of the business cycle, when excesses often develop in the sphere of prices, credit, and inventories. Such a course is not popular because it is not yet fully understood. This makes the task of the government harder but it does not diminish its responsibility. Balancing the budget is imperative in a time of high prosperity, and so too is the need for moderating the expansion of credit. The present Administration is mindful of its great responsibility to use all practicable means to prevent over-emphasis of speculative activities, to protect the integrity of the dollar, and to help realize a balanced economic growth.

Making Better Mortgage Men in t

FOR a limited group in the mortgage business, June in Chicago always offers a highly interesting experience. For eight years it has been the time and place for MBA's principal educational course of the year. A pretty general impression has been that our industry in the future will be in excellent hands, judging from the caliber of the men and women who gather to take advantage of MBA's educational offerings. Another impression has been that the industry is doing a good job of growing up to meet the demands and responsibilities which have been placed upon it by its rapid growth of the past quarter century.

This year was no exception as to the impressions, but some of the developments were new. It was the second year for the School of Mortgage Banking, with Course I offered for the second time and Course II for the first time. Next year both will be given as well as Course III. Students completing all three, along with the comprehensive home study programs, will be eligible for Certificates of Achievement. Thus, the objectives which the Association has sought in its educational efforts for more than a decade, have almost been attained —the goal of a complete and authoritative educational course to give younger generations in mortgage lending and investing the kind of professional direction they need to make the most of the opportunities in an industry full of possibilities for lifetime careers.

An even 100 attended Course I and 74, who had taken this course last year, were back for Course II. Thirty-three states, the District of Columbia and Canada were represented as well as 129 different member institutions. Men predominated but three ladies were enrolled. They came for a week of intensive work, exploring every phase of the operation that makes up the financing of real estate.

Most significant fact about the MBA educational program (which relatively few Association members ever have the opportunity to see in action) is that in a relatively short period of time a comprehensive, completely authoritative course of instruction by some of the best informed men in the industry has been created —with the result that the level of efficiency and performance in our field has been lifted immeasurably. The over-all result has been an organizational attainment of the highest order, one which, in one way or another, benefits everyone whose business is concentrated in mortgage lending and investing.

There isn't space to review, even in a brief way, the subject matter of the two Courses or even to recognize the scores of educational committee members and staff and faculty members who made important contributions to their success. But for the record here is a list of those who attended.

Registered for Course I were:

ALABAMA

Dothan: James P. Hall, Harry P. Hall Company, Inc.

ARIZONA

Phoenix: George Kingston and R. Mark Woodruff, Western American Mortgage Co.

COLORADO

Denver: Raymond F. Cooper, Jr. and Merle E. Brewer, Morrison and Morrison, Inc.; Victor Lee Coffey, Kassler and Company.

CONNECTICUT

Hartford: Duane H. Newton, Aetna Life Insurance Co.

DELAWARE

Wilmington: William V. Russell, Russell Mortgage Co.

DISTRICT OF COLUMBIA

Washington: Eugene F. Dunn, Thomas J. Fisher & Company, Inc.; Martin R. West, Jr., Weaver Bros., Inc.; Donald G. West, The Riggs National Bank of Washington; Robert H. Jones, Shannon and Luchs Co.; John J. Jaskot and Charles E. J. Nester, United Services Life Insurance Company.

FLORIDA

Miami: James R. Dezell, Southeastern Mortgage Co.; S. Ralph Fetner, Jr. and Don Curry, Stockton, Whatley, Davin & Company.

GEORGIA

Atlanta: W. W. Gamble, Spratlin, Harrington & Thomas, Inc.

Macon: Arthur Griffith, Jr., Griffith Mortgage Corporation.

in the School of Mortgage Banking

ILLINOIS

Chicago: Donovan R. Ballard, Great Lakes Mortgage Corporation; Sheldon E. Kirchman, Federal Life Insurance Co.; Robert J. Beran, Mortgage Bankers Association of America; Elmer Woehler, McElvain Mortgage Co.; Erwin Manzke, Country Life Insurance Co.; J. William Ahern, Republic Realty Mortgage Corporation; Dean MacBride Olson, Chicago Mortgage Investment Co.

Oak Park: Lloyd T. Gardner, Suburban Trust & Savings Bank.

INDIANA

Evansville: G. T. Hudson, The National City Bank of Evansville.

Hammond: Edward L. Groth, The Calumet National Bank of Hammond.

New Albany: Dale W. Mitsch, Dale W. Mitsch.

IOWA

Council Bluffs: Donald McMullen, City National Bank of Council Bluffs.

Des Moines: Russell D. Lovelace, Western Securities Company.

Sioux City: Hugh O. Dunn, Conservative Bond & Mortgage Co.

Waverly: Arnold A. Fredrick, Lutheran Mutual Life Insurance Company.

KANSAS

Topeka: John F. Robb and Harold M. Guilliams, The Davis-Wellcome Mortgage Company.

KENTUCKY

Louisville: Donald Edward Wilding, Commonwealth Life Insurance Company.

MARYLAND

Chevy Chase: Thomas M. Lebling, Bogley, Harting & Hight, Inc.

MICHIGAN

Detroit: E. David Auer, Detroit Mortgage and Realty Company; William C. Buckingham, H. G. Woodruff, Inc.; Benjamin McEwen, New York Life Insurance Co.

MINNESOTA

Minneapolis: George H. Moskalik, Investors Diversified Services, Inc.; William M. Thom, The Farmers and Mechanics Savings Bank of Minneapolis; Eldon G. Pritz, The Kuntson Company; W. Thomas Beadnell, Thorpe Brothers, Inc.

St. Paul: Oliver N. Dyste, The Minnesota Mutual Life Insurance Co.

MISSISSIPPI

Jackson: Richard H. Kimbrough, Kimbrough Investment Company.

At the top of the page, left, the group taking Course I and at the right those taking Course II. Below, left, a classroom session of Course I; and right, speakers table at Sunday night "get-acquainted" meeting. Dr. Homer V. Cherrington, NU professor of finance, Lewis O. Kerwood, MBA director of education and research; Lindell Peterson, MBA vice president; Walter C. Nelson, chairman, MBA educational committee, Minneapolis; Wallace Moir, MBA president, Beverly Hills; Perry S. Bower, assistant general manager and treasurer, The Great-West Life Assurance Co., Winnipeg, Canada; Dr. Harold W. Torgerson, NU professor of finance.

MISSOURI

Clayton: Charles L. McBride, Western Life Insurance Co.

Kansas City: John T. Hanlon and Al W. DesMarteau, The Kansas City Mortgage Co.; Guy Williams, New York Life Insurance Co.; Thomas Croskey, Jim Majors and Dick Griswold, City-Wide Mortgage Company.

NEBRASKA

Lincoln: Charles H. Thorne, Bankers Life Insurance Company of Nebraska.

Omaha: Barbara J. Hoober and Edwin T. Daisley, Jr., Don J. McMurray Co.

NEW YORK

New York: George S. Harkins, Metropolitan Life Insurance Company; Martin J. Lindloff, The Bowery Savings Bank.

NORTH CAROLINA

Charlotte: John W. Horne, Bank of Charlotte; Charles S. Hudson, Jr., Goodyear Mortgage Corporation.

Greensboro: Vernon James Shepard, Pilot Life Insurance Company.

OHIO

Cincinnati: John H. Rutledge, Cincinnati Investment Corp.

Cleveland: W. Richard Blagdon, Howard S. Bissell, Inc.; James P. Cozzens, Almour Securities, Inc.; Stephen C. Morris, Ostendorf-Morris Company.

Youngstown: Mildred I. McCormick, Tad Fithian, Inc.

OKLAHOMA

Tulsa: Marvin Y. Bray, National Bank of Tulsa.

PENNSYLVANIA

Philadelphia: Thomas F. Perrone, W. A. Clarke Mortgage Co.

Pittsburgh: James M. Walsh, W. A. Clarke Mortgage Co.

York: Earl P. Herting, W. A. Clarke Mortgage Co.

RHODE ISLAND

Woonsocket: Edward C. Welles, Woonsocket Institution for Savings.

SOUTH CAROLINA

Charleston: Jenkins Street Crayton, The Citizens and Southern National Bank of South Carolina; John E. Guerry, Jr., Carolina National Insurance Company.

TENNESSEE

Chattanooga: Herman Ferger, III, Ferger Mortgage Company.

Memphis: James E. McGehee, Jr., James E. McGehee & Company, Inc.; John F. Stone, James Linder and Cary Whitehead, National Mortgage Company; Frank J. Romeo, The First National Bank of Memphis; Jack R. McNutt, Metropolitan Life Insurance Company.

Nashville: Raymond L. Davis, Jr., Murphree Mortgage Company.

TEXAS

Dallas: Stanley Hickman, N. E. Mittenthal & Son, Inc.; W. F. McCarver, Pioneer Mortgage Co.

Houston: Jim Gossett and Richard G. Armstrong, T. J. Bettes Company; Robert K. Minor, Holland Mortgage & Investment Corp.; Paul W. Davis, Alltex Home Finance Corporation; Brucks Hall, L. O. Benson and Jim Simpson, American General Investment Corporation.

Midland: Jim Hogan, American General Investment Corporation.

VIRGINIA

Arlington: James J. Gildea and Guy C. McGee, W. W. McCullum, Inc.; Thomas W. McQueen, Jr., McIntosh & McIntosh, Inc.

WEST VIRGINIA

Charleston: J. W. Hubbard, Jr., Thomas & Hill, Inc.

WISCONSIN

Madison: Richard L. Terrell, CUNA Mutual Insurance Society.

Milwaukee: Werner Keil, Amortized Mortgages, Inc.; Lawrence D. Myles, Marshall & Ilsley Bank; Don A. Hiller, Ray P. Hiller Company.

Registered for Course II were:

ARIZONA

Phoenix: Everett E. Reed, John W. Blundell and Norman E. Penquite, Western American Mortgage Company.

Tucson: George V. Brandt, Jr., Southern Arizona Bank & Trust Company.

ARKANSAS

Little Rock: William A. Payne, William E. Terry & Co., Inc.

CALIFORNIA

Pleasant Hill: Richard J. Donovan, Bank of America.

CANADA

Montreal: Sidney A. Shepherd, Bank of Montreal.

COLORADO

Colorado Springs: Harry A. Scurr, The First National Bank of Colorado Springs.

CONNECTICUT

New Haven: Thomas J. Melody, The Lomas & Nettleton Company.

DISTRICT OF COLUMBIA

Washington: Malcolm A. Belt, American Security and Trust Company; David E. Rozzelle, Security Bank; William A. Leigh, Walker & Dunlop, Inc.; James Edward Millar, Weaver Brothers, Inc.; George M. Carpenter, Frank S. Phillips.

AT THE SCHOOL

Cecil H. Hulsberg and George C. Dickerson, Stockton, Whatley, Davin & Company, Jacksonville, Florida; Dr. Homer V. Cherrington, NU professor of finance; Frank J. McCabe, MBA assistant secretary-treasurer; Elmer A. Cook, D. L. Welch & Company, Inc.; Jim Billings, Jr., Dade-Commonwealth Title Insurance Company, Miami.

Students pass along the buffet line at MBA's School of Mortgage Banking "Get Acquainted" Meeting Sunday night.

Students from the capital district: Guy C. McGee and James J. Gildea, W. W. McCollum, Inc., Arlington, Va.; Thomas W. McQueen, Jr., McIntosh & McIntosh, Inc., Arlington, Va.; Charles E. J. Nester, United Services Life Insurance Company, Washington, D. C.; Robert H. Jones, Shannon and Luchs Company, Washington, D. C.; Martin R. West, Jr., Weaver Brothers, Inc., Washington, D. C.; Malcolm A. Belt, American Security and Trust Company, Washington, D. C.; James Edward Millar, Weaver Brothers, Inc., Washington, D. C.

Below, another group, Edward A. Hummel, The County Trust Company, Tarrytown, N. Y.; Robert O. Heim, The Brooklyn Savings Bank, Brooklyn; George W. Lubke, Jr., George W. Lubke, Inc., Daytona Beach, Florida; Bernard D. Wilkins, Jr., American Fire and Casualty Company, Orlando, Florida; Harry W. Baum, The County Trust Company, Tarrytown, N. Y.; Clifford M. Kurrus, Williams, Kurrus & Company, St. Louis.

FLORIDA

Daytona Beach: George W. Lubke, Jr., George W. Lubke, Inc.

Jacksonville: Cecil H. Hulsberg and George C. Dickerson, Stockton, Whatley, Davin & Company.

Miami: J. S. Billings, Jr., Dade-Commonwealth Title Insurance Company.

Orlando: Bernard D. Wilkins, Jr., American Fire and Casualty Company.

GEORGIA

Atlanta: Francis S. Key and Elwyn V. Hopkins, Etheridge & Vanneman, Inc.

ILLINOIS

Bloomington: John C. Neff, State Farm Life Insurance Company.

Chicago: Hugo A. Lorenz, First National Bank of Chicago; Walter A. Dinnerville, Mutual Trust Life Insurance Company; Albert Gundelach, Greenebaum Mortgage Company; Edward J. DeYoung, Mortgage Bankers Association of America; William N. Melzer, Great Lakes Mortgage Corporation.

INDIANA

New Albany: Mrs. Zelpha Schoen Mitsch, Dale W. Mitsch.

IOWA

Des Moines: Paul J. Huelsbeck, Bankers Trust Company.

KENTUCKY

Louisville: Eugene A. McSweeney, The Kentucky Trust Co.

MICHIGAN

Grand Rapids: William E. Rogers, Lake Michigan Mortgage Co.

MINNESOTA

Minneapolis: John E. Nelson, The Marquette National Bank of Minneapolis.

MISSOURI

Kansas City: Charles H. Kopke, Commerce Trust Company.

St. Louis: Clifford M. Kurrus, Williams, Kurrus & Co.; Edwin G. Hudspeth, Maginn-Martin-Salisbury, Inc.

NEBRASKA

Omaha: R. S. Salyards, United Benefit Life Insurance Company.

NEW YORK

Binghamton: John M. Mazur, The Binghamton Savings Bank.

Brooklyn: Robert O. Heim, The Brooklyn Savings Bank.

New York: Henry Dart, Teachers Insurance & Annuity Association of America; Edward H. Dreher, Bankers Trust Company; Joseph G. Riddle and James J. O'Connell, Jr., New York Life Insurance Co.; Frederick J. Ruhlin, Metropolitan Life Insurance Company; Josiah P. Huntoon, Jr., Huntoon Paige & Co.; Emil R. Kroitzsch, The Bowery Savings Bank.

Syracuse: Bernard J. Corbishley, Eagan Real Estate, Inc.

Tarrytown: Harry W. Baum and Edward A. Hummel, The County Trust Company.

NORTH CAROLINA

Charlotte: Charles E. Penrod, Goodyear Mortgage Corporation.

OHIO

Cleveland: W. E. Miller, Jr. and Leonard J. Reitz, Fraser Mortgage Co.; M. A. Schneider, The Home Loan and Securities Corporation.

OKLAHOMA

Oklahoma City: Nathan Jarnigan, T. J. Bettes Company.

Tulsa: Earl G. Rowell, Chandler-Frates Company.

PENNSYLVANIA

Bethlehem: Chas. W. Bassing, Jr., Union Bank & Trust Company of Bethlehem.

Philadelphia: John Spangler, Metropolitan Life Insurance Company.

RHODE ISLAND

Providence: Arthur DeCesare, Peoples Savings Bank in Providence.

TENNESSEE

Memphis: William S. Ray, The First National Bank of Memphis; W. G. Farr, Jr., Percy Galbreath & Sons, Inc.

TEXAS

Austin: Elmer A. Cook, D. L. Welch & Company, Inc.

Corpus Christi: M. J. Zerr, Jr., Sessions Mortgage Company.

Houston: Robert H. Foster and Jerry B. Warren, T. J. Bettes Company; H. H. Kuhlmann, III and H. D. Reynolds, American General Investment Corporation; Robert J. Logan, Realty Mortgage Company, Inc.

San Antonio: A. C. McDavid, Jr. and A. H. Cadwallader, III, Mortgage Investment Corporation.

VIRGINIA

Arlington: Paul B. Allen and David G. Walker, Old Dominion Bank.

WASHINGTON

Everett: Stephen C. Saunders, Tyee Land Company.

Seattle: Carl A. Sandquist, Coast Mortgage and Investment Company; Kirby D. Walker, Continental, Inc.

WEST VIRGINIA

Charleston: William A. Barton, Jr., The Kanawha Valley Bank.

AT THE SCHOOL

Perry S. Bower; Wallace Moir; Lemuel J. Holt, secretary and treasurer, W. A. Clarke Mortgage Company, Philadelphia; George H. Patterson, secretary-treasurer, MBA; Walter C. Nelson; John E. Nelson, The Marquette National Bank of Minneapolis, Minnesota.

Benjamin McEwen, New York Life Insurance Co., Detroit; Guy Williams, New York Life Insurance Co., Kansas City; Thomas M. Lebling, Bogley, Harting & Hight, Inc., Chevy Chase, Maryland; E. David Auer, Detroit Mortgage and Realty Company, Detroit.

Seated: Duane H. Newton, Aetna Life Insurance Co., Hartford; James P. Cozzens, Almour Securities, Inc., Cleveland; Earl G. Rowell, Chandler-Frates Company, Tulsa; Nathan Jarnigan, T. J. Bettes Company, Oklahoma City; Charles H. Kopke, Commerce Trust Company, Kansas City. Standing: Eldon G. Pritz, The Knutson Company, Minneapolis; W. Thomas Beadnell, Thorpe Brothers, Inc., Minneapolis; Lawrence D. Myles, Marshall & Illsley Bank, Milwaukee.

Richard L. Terrell, CUNA Mutual Insurance Society, Madison, Wisconsin; Jim Hogan, American General Investment Corporation, Midland, Texas; William H. Thom, The Farmers and Mechanics Savings Bank of Minneapolis, Minneapolis; George H. Moskalik, Investors Diversified Services, Inc., Minneapolis; Jim Simpson, American General Investment Corporation, Houston.

Adventure in Ann Arbor

IT HAS been said many times before, in these pages and elsewhere, that no industry has experienced quite the rapid growth in the past quarter-century as has the mortgage industry. The demands placed upon it by the growth in population, the country's expanding economy and the sharp increase in building, have been met satisfactorily. The demands within the industry have also been met—in part, thanks to the foresight of MBA in, years ago, inaugurating an educational program to train men and women for careers in the mortgage field.

Before MBA sponsored its program, there was no educational instruction worthy of the name in the business of mortgage lending and investing, no place where a young man or woman could turn for authoritative instruction in how the industry functions. The programs at Northwestern and Stanford universities, supplemented by the annual "retreat" for senior executives at New York university, have changed all that; and today the mortgage industry can be proud that excellent courses of training are available for those who intend to make mortgages a lifetime career.

One success has inspired further efforts; and one such effort was undertaken this year at the School of Business Administration at the University of Michigan with the Association's first Conference of Mortgage Banking for Business School Deans and Selected Staff Members. It was indeed an adventure, an excursion into a field of activity which, as far as is known, no other group has entered. What was tried out in Ann Arbor was an experiment to see if the functions of mortgage banking could not be better explained and interpreted to those who have the responsibility of guiding the education of men and women in universities and colleges. It has long been recognized that not too many young people were selecting the mortgage industry for their careers. Obviously, the day might come—in fact, might be closer than anyone could foresee—when a shortage of skilled personnel might develop. The adventure at Ann Arbor was an attempt to start an effort whereby, over the years, we would go to the sources of educational training — the educators themselves —and tell the story of mortgages. It was a plan to "educate the educators" so that they, in turn, would be better equipped to guide the training of coming generations and direct some of the group into the field of mortgage banking.

The adventure resulted in what all agreed was a conspicuous success. During a two-day period, in a scholarly atmosphere of learning, some of the leaders in mortgage banking gathered to explain, in a manner anyone could understand, what this business is, how it operates and its possibilities for the future. Invitees were mainly limited to the upper central section of the country, with the idea than one area could best be covered at a time. (Future plans call for covering other areas.)

The results from this first effort will be spread over the coming years, and will accrue to every institution engaged in mortgage lending and investing. The industry will see these results in better-trained young people entering it, in a more efficient level of operations and in a greater availability of personnel to carry on its operation. All this because the Association has taken another important step in raising the professional standards of our industry.

As an indication of the range of schools and colleges covered by this initial adventure in a new field of education, here is the registration list at Ann Arbor:

Dr. Frederick A. Bradford
College of Business Administration
LehighUniversity

Van A. Buboltz
Southern Illinois University
Department of Business Administration

Prof. Wilbur P. Calhoun
College of Business Administration
University of Cincinnati

Dr. T. L. Carlson
Professor of Economics
Western Michigan College

Dr. Homer V. Cherrington
School of Commerce
Northwestern University

Dean Wenzil K. Dolva
The School of Business
Western Reserve University

Prof. Robert C. Earnest
College of Business Administration
Marquette University

Prof. Herman A. Ellis
College of Commerce
University of Kentucky

Dean L. E. Fitzgerald
College of Commerce and Finance
University of Detroit

Dean Erwin A. Gaumnitz
School of Commerce
University of Wisconsin

Prof. William Hoad
School of Business Administration
University of Michigan

Prof. H. E. Hoagland
College of Commerce and Administration
Ohio State University

Prof. Hiram L. Jome
Department of Economics
De Pauw University

Dr. Raymond Kent
College of Commerce
University of Notre Dame

Fred W. Kniffin
The School of Business
Indiana University

Dr. Joseph Mayer
School of Business Administration
Miami University

Prof. Robert W. Mayer
College of Commerce & Business Adm.
University of Illinois

Dean Robert L. Miller
School of Business Administration
Youngstown College

Ivo Moravcik
College of Business Administration
Detroit Institute of Technology

Dr. Frederick W. Mueller
College of Commerce
De Paul University

Dean Benjamin L. Pierce
College of Business Administration
Bowling Green University

Prof. Edmund B. O'Leary
Department of Business Organization
University of Dayton

Prof. William A. Paton
School of Business Administration
University of Michigan

Dr. John H. Reedy
Department of Economics
Pennsylvania State University

Prof. David T. Rowlands
The Wharton School of Finance and Commerce
University of Pennsylvania

Dean Clair K. Searles
College of Business Administration
University of Toledo

Joel Segall
The School of Business
University of Chicago

Prof. John A. Seliskar
The School of Business
John Carroll University

Dean D. J. Terpeney
College of Business Administration
Detroit Institute of Technology

Dr. Arthur Warner
School of Business and Public Service
Michigan State College

Dr. Robert M. Weidenhammer
School of Business Administration
University of Pittsburgh

Prof. Rolf A. Weil
School of Commerce
Roosevelt University

Dean H. J. Wyngarden
School of Business and Public Service
Michigan State College

Prof. R. G. Thomas
Department of Economics
Purdue University

Jack D. Heysinger
School of Business
University of Kansas

RE: CERTIFICATE OF MERIT AWARDS

Under the educational program which preceded MBA's School of Mortgage Banking, whose who attended the Mortgage Banking Seminar and Advanced Mortgage Banking Seminar were given an opportunity to prepare an original thesis on some subject concerning the mortgage industry, or one related to it. The subject was to be first submitted for approval; and if given, the thesis itself was to be passed by a board of approval. If accepted, the thesis was then published by the Association and the author given a Certificate of Merit award. Under this program six theses were published, all of which are available at the national office.

Those eligible to prepare a thesis must now have their papers approved as to subject material and completed by the time of the forthcoming MBA Convention in Los Angeles. That will be the final date for consideration under our present educational program. For more information, write L. O. Kerwood, director of education and research at the Association's Chicago office.

WE NEVER HAD IT SO GOOD IN BUILDING

by George Cline Smith
Economist, F. W. Dodge Corp.

During the first half of 1955, the construction industry has operated at high levels which have surprised even some of the more optimistic observers. Current interest in this situation has prompted F. W. Dodge Corporation, in our midyear review, to make available, as a public service, some of its detailed statistics which are not ordinarily released for publication.

As previously announced, Dodge Reports of construction contract awards in the 37 eastern states totalled nearly $12 billion in the first six months of 1955. This tremendous total set a new record for any first six months, some 30 per cent ahead of the previous record which was established only last year. Five of the six months were at record levels, May being the only exception.

A closer look at the details reveals these significant trends:

» There has been a very sharp reversal of the downtrend in industrial construction which followed the Korean War, far beyond the expectations of government and private forecasters. The upturn this year has been very broadly based, affecting nearly all major categories of manufacturing.

» Contracts for new residential construction have continued to show large increases over the preceding year, with practically all of the emphasis on single-family homes. Apartment construction accounted for a smaller proportion of residential building in the first half of 1955 than in any corresponding period on record.

» Every major category of construction showed increases over last year, most of them substantial.

» The smallest increase over the first half of last year in any major category, rather surprisingly, was in educational buildings, up only 4 per cent. The educational total was huge, however, amounting to slightly over a billion dollars for a new all-time record.

Late last year, government surveys indicated that manufacturers' plans for new plant and equipment expenditures called for a continuation in 1955 of the decline which set in after the Korean War. However, early this year contract awards for industrial construction began to increase sharply, prompting the prediction by those who follow these statistics that the plant and equipment forecasts would be revised upward. This prediction has already turned out to be correct.

Awards for manufacturing buildings during the first half of this year totalled $850,085,000, some 46 per cent ahead of the corresponding figure for last year and the highest for any first half since World War II except 1951, when huge atomic energy awards swelled the total.

The manufacturing upturn had an extremely broad base. The manufacturing contract awards are tabulated on the basis of 23 major categories, and no less than 18 of these reported increases over last year, some ranging into magnitudes of several hundred per cent.

Contract awards for commercial construction continued their spectacular rise. For the first time in history, these awards totalled over a billion dollars in the six month period. The new record of $1,077,957,000 was 21 per cent ahead of last year, the previous record.

Five of the six categories of commercial construction tabulated by Dodge increased over last year, the only exception being office and loft buildings, which were down a little more than 7 per cent.

It would be unwise to expect such large percentage increases over previous years to go on indefinitely without some abatement. However, there is nothing in the figures available to date to indicate that any slackening of the rate of increase has developed as of mid-1955.

Report to the Members

1. VOLUNTARY HOME MORTGAGE CREDIT PROGRAM MOVES

Good news about the VHMCP is reported by E. R. Haley of Des Moines who, with W. A. Clarke, Philadelphia, represents our Association on the National Committee. Through June, 1683 loans have been placed in remote areas and small communities, totaling $13,500,000. This is a good showing, Haley points out, because only 500 loans had been placed from the inception of the program until June. Any producer of mortgage investments knows from experience that hard work and many man hours are needed to record volume. Hence this program is now moving well, and every effort must be made to keep it rolling. Every loan made by the VHMC Program is one less direct loan by government. Haley says there are now 1,599 registered participants in the program as follows: 813 commercial banks, 258 savings banks, 124 life insurance companies, 404 savings and loan associations.

2. COLLEGE DEANS AND PROFESSORS HEAR MORTGAGE MEN

The University of Michigan was the scene of a unique meeting to advance the cause of mortgage banking. Thirty-six deans, professors and associates from 33 midwestern and eastern universities spent two days hearing about and discussing the mortgage business. MBA participants: Pease, Peterson, Clarke, Austin, Shutz, Brown, Neel, Gillam, McCabe, Moir, and Lew Kerwood, our Director of Education and Research. The purpose: to awaken university and student to the opportunities in mortgage banking; to find ways to encourage young people with an aptitude for mortgage finance to study it; to expand curricula to include more mortgage banking subjects. The result: a friendly, sympathetic response from our academic guests, many thoughtful and practical suggestions, and more friends for MBA. The Ultimate Achievement: the possibility that more graduates suited to and trained in mortgage banking will be coming out of our universities. The Responsibility of MBA: to employ these trained students at competitive salaries.

3. NEW MEMBERS OF MBA

Concerted effort to get members of quality for our Association has been made by your membership committee, board of governors, and many members. The results so far are good. 140 applications have been received: 61 mortgage banking firms, 37 banks, 13 insurance companies, 21 associate organizations, and 8 broker firms comprise the total. We would like to raise the total applications to perhaps 160—but quality is our real goal. Help us if you can.

Wallace Moir

WALLACE MOIR *President*

MBA Directory

FOR SERVICE TO MEMBERS

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B. B. BASS, President, American Mortgage & Investment Company, 101 First National Building, Oklahoma City.

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Legislative
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Pension Fund
ROBERT E. GOLDSBY, President, Jersey Mortgage Company, 280 N. Broad St., Elizabeth, New Jersey.

Redevelopment, Conservation and Rehabilitation
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Trust
FRANKLIN BRIESE, Vice President and Treasurer, The Minnesota Mutual Life Insurance Company, 156 East Sixth Street, St. Paul, Minnesota.

Young Men's Activities
WILLIAM H. OSLER, Vice President, W. A. Clarke Mortgage Co., Second and Locust Streets, Harrisburg, Pennsylvania.

GOVERNORS, REGIONAL VICE PRESIDENTS, ASSOCIATE GOVERNORS AND PAST PRESIDENTS SHOWN PAGE 1

FARM LOANS

A monthly department of MBA's Farm Loan Committee. A. L. Bartlett, Jr., St. Joseph Missouri, chairman; Eliot O. Waples, Cedar Rapids; A. A. Abernathy, Dallas; Carl M. Adams, Des Moines; Earl M. Blanchard, Memphis; Frederick P. Champ, Logan, Utah; Stuart W. Goodwin, San Diego; R. L. Harrison, Oswego, Kansas; L. B. Horton, San Angelo, Texas; Roy E. Johnson, Newkirk, Oklahoma; Paul Mann, Wichita, Kansas; Harry A. Schnell, Fargo, North Dakota; R. T. Tucker, Orlando; Fletcher Upshaw, Jr., Amarillo Texas; A. W. Van Tuyn, Spokane; and J. D. Williamson, [illegible]

How Lenders Are Lending on Farm Mortgages Today

As elsewhere in the American economy, activity is high in farm lending but some significant changes are taking place. Almost all classes of lenders are making more loans, some are changing their policies and competition is generally brisk for the more desirable loans. The department of agriculture's agricultural research service current report reviews present conditions in the farm mortgage field.

ABOUT 26 per cent of the farms sold during the year ending March 1955, were cash transactions. About 55 per cent were mortgage-financed, and the rest—19 per cent—were by purchase contracts. Thus, some form of credit was used to finance 74 per cent of the purchases, compared with 71 per cent the previous year. An increase in the proportion of credit-financed sales was reported in all regions of the country, except New England and the Mountain areas where an increase in mortgage-financed sales was more than offset by a decline in purchase contracts. The largest increases in mortgage-financed sales occurred in the Pacific and West South Central States.

An increase in the volume of farm transfers, particularly in the last half of 1954, some strengthening in market values, and a further contraction in the amount of cash available for down-payments on the part of many buyers were major factors responsible for the significant rise in both the number and dollar volume of new farm mortgages in the fourth quarter of 1954. Increased competition among lenders for desirable loans and higher appraised values also contributed to an easing in the supply of credit available for well-secured loans in agriculture. All classes of mortgage lenders, except individuals, made more loans and extended more credit than during the comparable period of 1953. Increased lending activity was noted particularly for miscellaneous lenders, commercial banks, and insurance companies. Nationally, dollar volume of new mortgage loans was 7 per cent above a year earlier, and the number of loans was up 5 per cent.

The record volume of new mortgage credit extended in 1954 was also reflected in a further increase in total outstanding mortgage debt. Such debt was estimated at $8.2 billion as of January 1, 1955, 7 per cent above a year earlier and 72 per cent above the 1946 low. Because of the substantial rise in market values of farm real estate since 1946, however, current debt is still low in relation to the total value of farm real estate. It amounts to only 8.9 per cent, compared with 7.7 per cent in 1946. The all-time peak in mortgage debt of $10.8 billion occurred in 1923, when it was 21 per cent of the market value of farm real estate.

Although terms, supply and availability of farm mortgage credit change slowly and are affected by central money markets and general fiscal policy, as well as by the agricultural outlook, increasing inter-dependence between the land and credit markets is apparent. A substantially higher proportion of all farm purchases require credit now than at the end of World War II, the amount loaned per acre has nearly doubled, and the volume of new mortgage credit extended for all purposes continues to mount. Credit policies adopted by lenders with respect to appraised values, interest rates, loan limits, repayment terms and type of property financed can directly affect the volume of farm sales, price trends and other aspects of land market.

Both insurance companies and the Federal Land Bank made substantial modifications in their lending policies in 1954. The action taken by several major insurance companies to reduce interest rates by one-half of 1 per cent in the spring of 1954 and to increase appraisals or upper loan limits, although selective with respect to grade of property and to area, contributed in part to the strength shown in land values in the central Corn Belt.

The appraisal policy of the Federal

Land Bank was modified too late in the year to affect the market much in 1954, but it is expected to become of increasing significance during 1955 as more potential borrowers become aware of it. No changes were made in interest rates, but the basis used to establish normal agricultural value for most grades of farmland and timberland was revised upward. Records of their lending activities in the first quarter of 1955 show an increase of 17 per cent in number and 47 per cent in dollar volume of loans made compared with the same period of 1954. Average size of loan was 26 per cent above a year earlier. Although a part of this increase may be due to factors other than the increase in appraised values, it appears that loans are currently being made for approximately two-fifths of current market prices, compared with about 30 to 35 per cent prior to last December. As has been true for insurance companies, the increase in appraised values by the Federal Land Bank has been selective with respect to grade of farm and area.

The effects of changes in credit policies by principal lending agencies have been noted primarily in the terms and availability of credit to finance the average and above-average farms. Low-equity buyers are continuing to have difficulty in obtaining sufficient credit to finance the purchase of farms. Credit to finance poorer grades of land also continues as a problem.

Additional indications of important developments in the credit situation during the past year were obtained from farm real estate reporters in the government's March survey. Although the evaluations they make for local communities are often in contrast with those that could be inferred from a review of lending policies announced by major lenders, they are believed to reflect more nearly the actual credit situation as it exists for prospective borrowers. Reporters were asked whether interest rates, loan limits, appraised values, selectivity of borrower, selectivity of security, and general availability of credit had increased, changed little or decreased during the 12 months preceding the date of the survey.

Interest rates were reported to be firm to slightly higher in all states, except Minnesota and Iowa, where insurance companies have been particularly active. Interest rates tended most definitely to increase in Missouri, Oklahoma and Arkansas, and in the Mountain region, reflecting the increased risk associated with drought. Loan limits and appraised values have been reduced in most areas except in the North Central States. Iowa, Illinois, and Nebraska showed the most definite increase. Strongest indications of contraction in the amount of credit extended were observed in Colorado, New Mexico and several other Mountain States, as well as in the Southeast.

Indications of changes in selectivity of borrower and of security were closely correlated, with all states showing an increase. Strongest indications that lenders were more selective in making loans were reported in New York, Wisconsin, the Delta States, Oregon, and Idaho.

Credit Is Ample

Despite the liberalized lending policies of insurance companies and the Federal Land Banks, about two-thirds of all reporters indicated little change in the general availability of credit during the past year. A slightly larger proportion noted a decrease than noted an increase. In only three States—Iowa, Nebraska and Arizona—was the number of reporters who said more credit was available significantly greater than the number who said less credit was available. Elsewhere, indications that less credit was available ranged from slight, and probably not significant in the North Central area, and in Texas and California, to a strong indication in most States in the Northeastern, Southeastern and Mountain regions.

>> OUTLOOK: Prices of part-time and full-time farms should continue at present levels or increase during the rest of 1955. More than three-fourths of 217 real estate boards so reported in NAREB's recent farm survey. In reports on part-time farms—properties of a few acres near urban areas—68 per cent of the boards predicted continuation of current prices and 18 per cent said they anticipate a rise in prices.

In the case of full-time farms, 64 per cent said they expected present prices to continue; 13 per cent saw price increases ahead; and 23 per cent anticipated price drops.

Most prices in part-time farms have been stable or climbed since the last sampling a year ago. A total of 48 per cent of the boards reported these prices had remained the same; 37 per cent reported higher prices; and 15 per cent, lower.

Said the research report:

"Competition from tract builders and industrialists engaged in program expansion has strongly influenced peripheral land values."

Voice of the Home Office

Too Much Is Better Than Too Little

An official of a life company specializing in large loans again states the case for the full and complete application, contending that he would much rather have correspondents go into too much detail than leave a good deal unsaid.

OUR Company, with a portfolio of almost $400,000,000, believes in the correspondent system. We do not do a residence business as such. Consequently, we think only in terms of the larger commercial and apartment loans, preferring cases of not less than $100,000. One of our most important jobs in the home office is to evaluate the personality of our correspondents and to keep it in mind as we study a case and prepare it for submission to our finance committee. We have never brought our correspondents to the home office for a meeting, it being our contention that frequent trips to the field by officers of the Company and the subsequent knowledge of the territory, plus working with the correspondent in his area make for a far better relationship than home office meetings. Considering the types of loan in which we specialize, the problems of the West Coast may bear little relationship with, for instance, Florida. Most of our correspondents do visit the home office at least once a year and often bring in a large or complicated case for pre-committee discussion.

We are finding some increase in errors in our submissions. Some are typographical and some are caused by haste in getting off an application for consideration by our committee. (We meet each week and try never to hold a case over.) Most of our correspondents are extremely accurate; but this problem is proof of the importance of knowing the individuals who at times are a little careless in their office work.

Because our loans are large and often the debt charge figure is not taken from a table, we have to figure where and how the quarterly figure came to be. The mathematics used should be explained in detail in the letter of transmittal. We believe that on large loans on buildings where the depreciation is a factor, the amortization should be made on a level basis so that the depreciation and amortization have a fixed relationship. The use of a level debt charge with decreasing interest and increasing amortization will cause many requests for recasting as loans become 8 to 10 years old because the amortization will become substantially greater than the depreciation. This method of level amortization payments also offers some protection in lending as the principal payments are somewhat higher in the early years of the loan.

Proper photographs are very important to committee members. They like to look at the property they are about to "buy." When new construction is involved, an architect's rendering is well worth including with the papers. It is much easier for the home office to have *too much* material with a submission than too little.

Recurring Comment: Keep Us Informed

It's the same story said here many times before: the home offices look to the correspondents to keep them well informed on all of the economic developments within their areas—but too many of them don't do it, or so say a good many home office people.

A SUCCESSFUL relationship between an insurance company and mortgage loan correspondent requires constant attention on the part of each party to keeping the other informed. In view of the subject under discussion, emphasis is directed here toward suggestions on keeping the home office informed.

Successful prosecution of this policy not only includes complete and accurate data with each loan submission, as mentioned in previous articles in this series, but also attention on the correspondent's part towards keeping us advised as to economic and political events in his area.

Mortgage loan correspondents are the "eyes and ears" of their principals. The investor must depend on their constant alertness and vigilance in relaying information relative to changes and developments in the field for only then can we stay competitive in their cities.

Particular reference can be made to economic surveys, vacancy studies, thru-way plans, changes in retail areas, etc. Unfortunately, all too many times, we hear of these things from others than our correspondents who have known about them for some time.

Merely receiving a copy of notice of default is hardly sufficient for the experienced mortgage loan man to decide whether to foreclose, show forbearance or what, particularly when there is no recommendation from the correspondent. On delinquent loans, the correspondent should remind himself that we have no information on the borrower other than what the correspondent sends us nor have we ever met the borrower as, in many instances, has the correspondent.

Adequate information relative to payoffs, insurance coverage, releases, renewals and extensions will save additional letters, telegrams and telephone calls which all cost-conscious correspondents know reduces the "net."

An outstanding example of alertness on the part of one of our correspondents occurred some years ago in respect to a mortgage loan on a retail property that had retrogressed sharply. In this instance, by filing a contingent claim against the estate of an endorser of considerable means, we avoided a loss of several hundred thousand dollars. The information relayed to us by our correspondent in this instance was of vital importance.

After all, we are in the same boat sailing on a sea of constantly changing conditions. Let us try to sail as true a course as possible by keeping each other informed.

Know Your Principal's Policies

It seems hard to believe but many home offices say correspondents don't familiarize themselves too well with the lending policies of their own principals — what kind of loans they want and the data they must have to consider buying loans of the kind they do want.

THOSE responsible for the analysis and processing of mortgage loans as investments by life companies must—and do—rely to a very great extent upon the information and data furnished by the originator.

There is little doubt that most mortgage concerns, originating mortgages for transfer to life companies, are willing to—and most generally do—furnish their clients adequate information when loans are presented for consideration. However, many features of a loan submission may be classed as elementary. Because they are so classed, there is frequently insufficient attention given at the originating end to enable the reviewing person to completely analyze the presentation and reach a decision. Speaking from the submissions side of the desk, let me say that errors and omissions, as well as a lack of required explanatory information, will show up—generally in cycles.

Most institutional investors have a prescribed form for use by their correspondents, and it is through the careful completion of these forms that submissions can receive the speedy attention which all correspondents desire.

I have observed that numerous submissions reach my desk with information which is inconsistent. For example: the debts of the applicant may be listed at one figure, in one place; and then in another—the credit report, perhaps—may be shown entirely different. In an amazing number of instances, loan presentations come in showing the applicant to own another property presently occupied as his house. There may be debt against this property—and, yet, no information is given as to the intention of the applicant with respect to this property. It is, of course, rather self-evident that an analysis of the new loan will require that the amount of the debt against the present property be taken into consideration.

Each correspondent should be thoroughly acquainted with the lending policy of the company to which loans are submitted. Company policy, with respect to mortgage loan operations, is not formed without proper study on the part of the company officials; and, consequently, even though a correspondent may not agree entirely with the policy, nevertheless, it should be his endeavor to present only such loans as will fall within the company's established policy. Some companies state that the amount of the loan is not to exceed a percentage of the appraised value of the property, or the recent sales price thereof, whichever may be the lower. If such is the case, then certainly it is the responsibility of the correspondent to determine, as best he can, whether or not the sales price reported to him by the applicant, or other persons, is a true and correct figure. Other companies may include in their lending policy a requirement that there be no secondary financing where conventional loans are involved. Here, too, responsibility lies with the correspondent to establish, as well as he can, the absence of any such secondary financing.

It should be impressed upon correspondents the necessity of including all pertinent data in their submissions, whether in any form prescribed by their investor or not. It would be wise for the correspondent to approach the question of a submission on this basis: he is laying before the analyst sufficient data and information for that analyst to visualize the property and to analyze the credit position of the applicant just as though the analyst were on the property itself.

Voice of the Correspondent

The Question of Prepayments Again

This correspondent says he would like to see investors prove that they really want some conventional loan business by revising their prepayment options downward so as not to alienate today's customer and tomorrow's borrower. He thinks that the average penalty now is too restrictive.

DURING the past three years I have followed with increased interest the collection of prepayment penalties on conventional loans.

We have a wide variety of options offered by our investors, ranging from no provision to pay off in less than five years (for which the investor has so far accepted 2 per cent of the unpaid balance) to a 1 per cent penalty further qualified by a specific amount allowable in any one year before the penalty is invoked.

Without any formal statistics to back my position, I would estimate that no less than 75 per cent of our customers who are faced with such a penalty have telephoned or called personally to question the accuracy of our quotation.

There are two general complaints against these penalties:

» The five year period is too long and

» More than 1 per cent is excessive.

To offset the unfavorable public relations, we have had borrowers sign, or at least initial, these options to refresh their memory that they actually had knowledge of them at the time the loan was granted. Invariably they still vigorously protest if the loan is paid off in less than five years or the penalty is more than 1 per cent.

Another feature is the 30-day written notice requirement. One of our investors informed us some time ago that if we were to comply "with the intent of their option," we would collect 30 days interest in addition to the current month's interest when prior written notice had not been received.

From our viewpoint these options are entirely out of line with today's market. All of our investors solicit conventional loans and many are willing to pay a premium for them. Yet by punitive measures such as these they make sure the customer will not return for another one.

Our local banks and savings and loan associations which compete for this business are well satisfied with this arrangement as they are content to have the loan without either a penalty or 30 days notice.

Yes, it costs something to put a loan on the books. It also costs to drive a good customer to a competitor. Although it may be classified differently on the P&L statement, it still shows up in the "Net."

I would like to see our investors prove they really want some conventional loan business by revising their prepayment options downward so as not to alienate the present customer or discourage tomorrow's customer.

Single-family houses accounted for nearly nine in 10 of all the 1,220,400 new permanent non-farm dwellings started in 1954. . . . More than 40 per cent of United States families have an income over $5,000 a year, and 55 per cent have an income of $4,000 or more. Number of families with incomes over $10,000 has doubled since 1947, indicating one reason why housing demand continues high. . . Proportion of married couples who do not maintain their own household is at the lowest point on record.

Present Servicing Fee Is Adequate

So says this life insurance president who, after reading the recent article here, "How Far Can We Stretch the Servicing Fee?" has come back with the argument that while costs are up, so are the average size of the loans being made by correspondents at the present time.

IN THESE pages in March a correspondent inquired "How Far Can We Stretch the Servicing Fee?" and made the point that, in twenty years, the correspondent's work has been greatly augmented, that he has to perform many services he never did in the past and that, in his opinion, consideration might be seriously given to readjustment of compensation.

His observations stirred up considerable interest, some of it a little heated, both from correspondents and investors. It's true, was the correspondent point of view, that we do have to do more for the half of one per cent than we did in the past but with volume as it is, our experience hasn't been bad at all.

The investor reaction was different. Claude L. Benner, president, Continental American Life Insurance Co., Wilmington, for one, expressed a vigorous dissent. He said: "Some very unsatisfactory results might take place if an attempt were made by the loan correspondent to increase his service fee before he had convinced the investor that such an increase was necessary. Should a material increase in service fees be sought by mortgage loan correspondents, such a proposal, in my opinion, might revive the insurance companies' interest in establishing branch mortgage offices.

"The fact that the price level has gone up and therefore the costs of operation of the correspondent have increased is no argument for a larger fee. The average size of a mortgage loan has likewise increased. And the correspondent's expenses of operation are more directly connected with the number of loans than they are with the dollar volume of his loans.

"The situation is exactly the same as it is in selling life insurance. We do not have to increase commissions to salesmen because the salesman's expenses have gone up. The increased price level has made people buy larger policies and the salesman automatically gets larger commissions because the policies which he writes are larger.

"Both the ultimate investor and the mortgage loan correspondent must derive their income from the interest paid by the borrower. Over the past two or three decades is it not crystal clear that the correspondent's share in this interest has increased at the expense of the investor? To attempt to take any larger part at this time, in my opinion, would simply convince the investor that he can operate more economically without the correspondent."

A correspondent agreed with the Benner point of view and pointed out that he did not believe there could be any serious intention on the part of correspondents generally to advocate a higher servicing fee.

"There is no need for increasing mortgage loan correspondents' service fees above the present ½ of 1 per cent. The high percentage of loan to value through the government-aided programs of FHA and VA and inflation have increased the average loan all mortgagees are handling to the point where present servicing income is quite satisfactory.

"Every mortgage man must recognize the fact that costs for servicing are per loan, not dollar volume. It costs just as much to handle a $1,000 loan as it does to handle one of $100,000.

"I for one am completely happy with our present servicing fee, which is the normal one of ½ of 1 per cent on all loans except those that are quite large where, I believe, a lower service fee is justified."

Convention in Los Angeles

Spotlighting the Adjourned Session in Hawaii

AT THE conclusion of MBA's Los Angeles Convention, those members going on to the Association's Adjourned Session in Hawaii, November 10-14, can look forward to an interesting and profitable meeting in the Islands and one which will feature some innovations not previously seen in our schedule of events.

The Adjourned Session will open with a talk by Samuel Wilder King, Governor of the Territory of Hawaii, followed by two addresses:

History of Hawaii's Land Tenure, by G. W. Root, vice president, Cook Trust Company, Limited, Honolulu.

Mortgage Lending—Yesterday, Today and Tomorrow, by William A. Marcus, senior vice president, American Trust Company, San Francisco.

These will be followed by a demonstration talk of how new sub-divisions in Hawaii are financed.

The second session that afternoon will start with a field trip to see typical Hawaiian sub-divisions, including Aina Koa and Waialae Kahala. The afternoon will conclude with a reception at the Royal Hawaiian Hotel.

The next day is Armistice Day and no meetings will be held; but on Saturday, November 12, there will be a luncheon and Aloha program at the Royal Hawaiian Hotel.

The next day is Sunday and the Adjourned Session will re-convene at 9 Monday morning with an address by the Honorable Neil S. Blaisdell, Mayor of the City and County of Honolulu.

Three addresses will follow:

Mortgage Loans and Their Relation to the Territory's Economy.

The Territory's Participation as a Direct Lender, by Kam Tai Lee, Treasurer of the Territory of Hawaii.

Better Lending Practices on the Continent, by Wallace Moir, MBA president, and President, Wallace Moir Company, Beverly Hills.

These will be followed by another demonstration lecture on the financing of ranch leaseholds.

After lunch, there will be another field trip on sub-division financing, including Title VIII and Title IX loans, with visits to the Kaneohe Ranch projects. The adjourned session will close with a luau at the Queen's Surf Hotel (and luau is Hawaiian for feast.)

So, if you're attending MBA's 42nd annual Convention you're not attending *all* of it unless you catch the Adjourned Session in Honolulu — first time, as far as we know, that an organization has split its meeting into two sections separated by 2,600 miles and a week's travel time. Not everyone can go, of course; but no doubt everyone would like to. Thus, if Hawaii has long been one of those places you have planned to visit, you will never find a better time to go than in company with the MBA people. The program for the Adjourned Session assures a worthwhile meeting and, in addition, the attractions of these storied isles of the Pacific are among the most appealing on the planet.

Your plans for this portion of your trip west in 1955 should not be delayed a day longer.

The Royal Hawaiian Hotel in Honolulu, scene of some MBA Adjourned Session events.

Announcement is made of the purchase of The Cuyahoga Estates Company and The Mullenix Mortgage Company, Cleveland, by the newly-organized firm of **Bendell-Lafler, Inc.** The companies were founded by former MBA President Charles A. Mullenix. **Bert W. Bendell** was vice president at the time of Mr. Mullenix death and has continued operation pending disposition by the Central National Bank, executor of the estate. He was previously head of the real estate department for Berkshire Life Insurance Company, but is a Clevelander by birth. **Charles Lafler,** his new associate, was formerly vice president of South Jersey Mortgage Company, Camden, New Jersey, and prior to that, managed the Philadelphia Office of the Nutter Mortgage Service for 10 years. The new firm will continue as mortgage loan correspondents for Phoenix Mutual Life Insurance Company and Berkshire Life Insurance Company.


James A. Bloor


L. F. Curran

James A. Bloor has been named executive vice president and trustee of Central Savings Bank, New York. Mr. Bloor previously had been a vice president of the Chase Manhattan Bank where he was associated with the real estate and mortgage loan department.

First Mortgage Corporation of Detroit has appointed **Lowell F. Curran,** Jersey City, N. J., as assistant vice president and eastern representative, Irving Rose, president, announced. Curran was formerly mortgage supervisor of Institutional Securities Corporation, New York. Prior to that he was assistant liquidator of the Federal Deposit Insurance Corporation. As eastern representative of the firm, Curran will serve the entire Atlantic seaboard, as well as Pennsylvania and Ohio.

Paul P. Swett, Jr. has resigned as vice president and chairman of the finance committee of the Baltimore Life Insurance Company with which he has been associated since 1946, to form his own organization to serve as adviser, consultant and analyst on mortgage funds, direct debenture loans, sources and placement techniques and of investment and market trends. His mortgage career began with the investment department of Connecticut General Life Insurance Company in 1932, after which he served for two years in the office of the Administrator of the National Housing Agency, and later as an officer in the Naval Reserve with the V-loan guaranty division in the Secretary of Navy's office.

His new organization will work with individuals, fund suppliers, mortgage and debenture originators and corporations and institutions on a nation-wide basis.

Dr. George R. Stuart, president of Birmingham-Southern college in Birmingham, has resigned to become vice president of Cobbs, Allen & Hall Mortgage Co. He was formerly an assistant prosecuting attorney in Birmingham and is a nationally known educator in the South. During his administration the college completed or started three major campus buildings and other important construction. Its endowment fund increased from $570,000 to $1,600,000. Cobbs, Allen & Hall Mortgage Co. also elected **Dan Haralson** as vice president and **John C. Hall, Jr.,** as secretary.

Albert Burns, president, Baltimore Life Insurance Co., announced the election of **Dudley Shoemaker, Jr.** as treasurer. Mr. Shoemaker came to the company in 1946, and held the office of assistant vice-president prior to his election as treasurer. . . . Security Title and Guaranty Company, New York, elected **William F. Weber,** vice president and **James J. McMahon,** assistant vice president,.

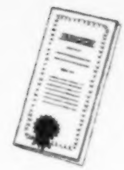
Philip W. Kniskern announced that control of First Mortgage Corp., Philadelphia, had been sold to **William A. Clarke** of Philadelphia, and would hereafter be operated in conjunction with the W. A. Clarke Mortgage Co.

Mr. Kniskern, a past president of the National Association of Real Estate Boards, explained that the sale of this corporation was required because of the demands on his time for real estate consultation.

Mr. Clarke is a past president of MBA. The enlarged firm, he said, will better serve the rapidly growing needs of Philadelphia.

Maurice F. Townsend, a past president of Philadelphia Mortgage Bankers, who has been the administrative vice-president of First Mortgage Corp. since its organization, will continue as a vice-president.

Mortgage



SOME time ago a man came to a mortgage banker and said, "Have this deed of trust released. Thank heaven, I have at last got that apartment building clear of debt."

Said the mortgage man, "Why don't you put another loan on it?"

McCune Gill

"I can't imagine the reason for your suggestion," said the owner.

"Simply this," replied the banker, "put a new mortgage on the apartment for about half its value and use the proceeds to buy another similar apartment and then put another mortgage on that. Now you will own two buildings and in ten or fifteen years you will have both mortgages paid off."

"But who will pay off these mortgages?"

"The tenants, of course. Who always pays the landlord's mortgages?"

"I am beginning to understand," said the apartment owner, "in fact, that is the way most fortunes are made, isn't it? From the profit on borrowed money. If I can mortgage my real estate for five per cent interest and can make ten per cent on the money, it won't take me long to double my capital."

Mortgage your real estate and make money! Does that sound like strange advice? Or perhaps unsound advice? Yet, it is the principle on which many great fortunes have been built and are still being built. Very few people can accumulate much through their own unaided efforts. They must get other people to help them. And the "other people," in a real estate transaction, are the holders of mortgages, the mortgagees who, after all, work for a very small compensation considering the large profits that are frequently made from the use of their money.

Who owns the telephone on your desk? The telephone company? Hardly. Rather, it is the thousands of holders of the mortgage bonds secured by a mortgage on all of the telephone company's property. Some day, of course, the telephone company will own the telephone. That will be the profit it will have made on the mortgage money someone has supplied. And who will have contributed the profit? You, of course, the tenant of the telephone.

A small time restaurant keeper wanted to operate a large hotel at the St. Louis World's Fair. He had little capital and needed much money to operate the hotel. He advertised in newspapers telling of the scarcity of hotel rooms that would occur during the Fair and asking the reader to send in his reservation. Then the hotel man borrowed the needed capital, using these many thousands of reservations as collateral. He had found out how to mortgage the hotel guests he was going to have and how to make a profit on the mortgage money. He and his family have been doing this ever since. The man's name was Statler.

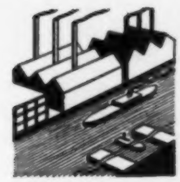
The world is full of people who mortgaged their real estate and made money. A group of investors heard that a large St. Louis hotel was going to be sold for a very attractive price. But things were a little complicated. About a hundred original bondholders had to be paid off and a hundred thousand dollars must be spent for repairs and a roof garden. Under these circumstances, and because of the fact that a "depression" was in full swing, it was difficult to obtain a loan through ordinary channels. But an Eastern company was appealed to and finally made the loan. Then came the upturn in hotel affairs. You can imagine how much money this group has made—but almost didn't make — with somebody else's mortgage money.

There are several large central post offices in St. Louis and numerous small branch offices. Who owns these post offices? Curiously enough, although the government owns the central offices, it does not own the branch offices but leases them from individual owners. Some twenty years ago the post office department decided that it needed several more branches. Because of the nature of the security, some lenders hesitated to finance these enterprises. But a man from Indianapolis with a commitment from a Baltimore Bank made the loans. He bought up old stores in the desired locations and rebuilt and reequipped them to government specifications. He put in little money himself and the rents paid off the mortgages in fifteen years. He made money, and lots of it, from the mortgages on his real estate.

When you have ridden in the new streamlined diesel fast trains of the railroads, have you noticed, in some inconspicuous spot in each car, a little bronze plate with an inscription something like this, "Property of Blank Trust Company of New York, Trustee under Car Trust Equipment Indenture." It means that a set of these trains costs a million dollars and that the bankers, although they were willing to make a loan on such a train (and its earnings), didn't want their money mixed up with a lot of other railroad funds. So, each of these trains carries its own mortgage. And if it continues to be as difficult to get a roomette on them as it has heretofore been, it won't be long until the railroads will begin to make money from this particular kind of mortgage of theirs.

Gasoline filling stations provide an excellent example of making money with mortgages. A man gets together enough cash to purchase some odd-shaped lot at the intersection of two traffic highways. He mortgages it for enough to provide the necessary equipment. He makes an arrangement with an oil company and employs attendants. His predictions as to volume of business prove true and

Your Real Estate



—and Make Money!

It's sage advice all right, as the possessors of some of America's greatest fortunes will affirm. That there aren't more borrowed-money fortunes is explained by the fact that not everyone can get it through his head that he can make money by using someone else's capital. But more people today are becoming aware of this old adage, judging from the way it is being made to work for them. Mr. Gill is a frequent contributor to these columns and is president of the Title Insurance Corporation of St. Louis.

By McCUNE GILL

he can pay off the mortgage. But he doesn't do so. On the contrary, he uses his earnings to provide the down payment on another filling station site. Soon he is the owner of many stations. All because he knows how to make a profit from mortgages, that is, how to take in more from the use of borowed money than the money itself costs in interest.

The widest use of mortgage money to make a profit has always been by builders of homes. They have been the heaviest borrowers of mortgage money and their profits on the sale of the houses they built has been large. Now that the government, through FHA and VA, has regulated and standardized such borrowing, it forms our best example of profit from the use of mortgage money.

Years ago there lived in Poland a young German and his wife and their six-year-old son. The man's friends told him that the Secret Police were looking for him. Although he had done nothing, the fear of such action caused him to leave home. It was winter, he contracted pneumonia and died. His wife, her small son and her brother finally came to New York and then to St. Louis where the boy became a tailor's helper. Then he began to buy and sell small buildings. He found a mortgage lender who financed him in buying and selling apartments. The depression almost wiped him out, but not quite. Now he is prosperous again, buying low and selling high, and making a fine profit on borrowed mortgage money.

Preachers are not generally included in what financiers call the "investing public." They are usually too occupied with their religious functions to give much thought to building fortunes for themselves. But one preacher, who was somewhat unorthodox in his views, had been renting halls and expounding his theories to audiences. Then he found an old home on one of our principal streets that was owned by the children of the former owner. The children were all grown and had established themselves in their own homes in new neighborhoods. So they tried to sell the old home. But they could get only small offers for it. Then the preacher offered them a much larger price if they would take back a mortgage for most of the purchase price. They accepted the preacher's offer and he converted the home into a meeting place with neon signs on the front. He advertised his church in the newspapers. His audiences increased greatly and he was not only able to keep up the payments on the mortgage but also built a large auditorium in the rear of the house. Then he bought a similar house next door (with a similar mortgage) and established a "funeral home" there. Now he is almost out of debt. He had found out how to mortgage real estate and make money.

Doctors are another professional class that frequently give no thought to future financial security. One doctor, however, had other ideas. He was a general practitioner and diagnostician. He found that most of his advice to patients was to seek out a physician who specialized in treating the patient's particular ailment. So he hit on the idea of building a medical center to be tenanted by specialists and to house his own offices as well. He borrowed the money to do it. Now he not only has the specialists near him but their rent is paying off his mortgage.

The undertaking profession is getting to be quite a business. A "mortician" is a man who builds a large and handsome building with attractive rooms and a beautiful chapel—and usually with mortgage money.

He sometimes hires expensive limousines and hearses. He also sub-contracts some of his other functions. But he is the selling force of this now complicated business. He is the one who meets the public and sends out the bills that gradually pay off his mortgages. He, too, has learned how to mortgage his real estate and make money.

Women, too, have learned how to accomplish financial success with borrowed money. Once a girl got a job with a florist. She learned the business and became quite expert in selling flowers. She found that women are a florist's best customers. So she bought an old residence in the west end. Business had invaded the neighborhood so the house had lost much of its value and the enterprising lady bought it cheaply. She lived in the second story. This was an advantage as she could keep longer hours in her first floor floral shop. Business (largely with women) prospered and she had no trouble paying off the mortgage. Now she is thinking about opening up another shop for her son so he too can pay off another mortgage.

Sometimes the borrower instead of buying a lot will take a long lease on it. Then he will borrow enough to put a building on it, after which he will sub-lease the building either to one occupant or several. The rents from the sub-lessee or lessees will pay off all of the debts. This plan involves a tax advantage for the lot owner and the lessee need not invest so much. Occasionally the builder will become sub-lessee and the occupants sub-sub-lessees. All of these arrangements are based on the idea that the occupant's rent will pay off the debts of the other people in the deal. If the lending institution hesitates to make a loan on a leasehold or sub-leasehold title, it is usually possible to have all of the other persons owning the fee and leasehold titles to become co-borrowers.

The days when it was considered almost a disgrace to have a mortgage on your real estate have long since passed. Many people have laid the foundations of their fortunes on the profit from borrowed capital. Mortgage your real estate and make money!

›› DILEMMA: Although consumer prices generally are holding steady during the current period of rising production, most of the items involved in home building have been rising in cost in recent months a NAHB survey says. All of the items with which the home builder is concerned—labor, materials, over-all construction costs, and land—are on the rise. There are no indications now of any factors which would halt these trends, meaning that builders will have to use all their production ingenuity to keep sales prices in line despite the cost increases.

An analysis of FHA figures shows that the price of land—a major item in the cost tag on a new house—has doubled since 1946, and has increased by nearly one-fifth during the past year.

Led by lumber, cement, hardware and plumbing equipment, materials for new homes registered increases ranging from approximately three per cent to 15 per cent from April 1954-1955.

EXODUS FROM THE CITY

And flight to the suburbs, by people who want to live there and now by factories which want to do their work there

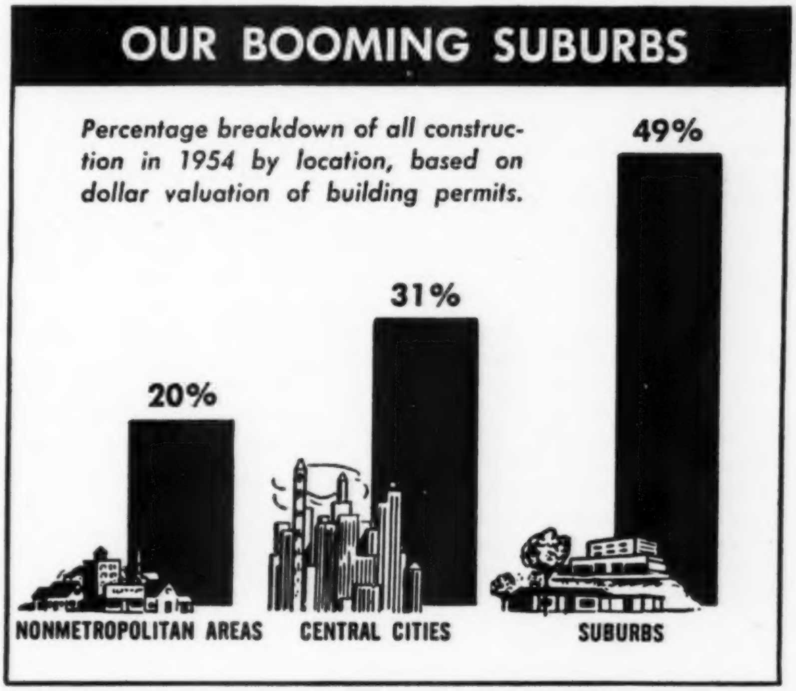
THE suburbanization of the United States has become far more than a matter of home and population shifts. Statistics show that it is becoming just as evident in the location of new factories, shopping facilities and other types of building. As a result, the suburbs are rapidly acquiring economic as well as social characteristics, and becoming a place to work as well as to live.

The breadth of this development is indicated in new statistics compiled jointly by the departments of commerce and labor giving the first detailed information about the geographic distribution of new building construction. Underlying the trend is a combination of forces including the rapid growth of population, congestion of cities with attendant traffic and commuting problems, and the decentralization tendency in business and industry. An important role also is being played by the mobility of mortgage and capital funds made available for building and expansion purposes by the people's thrift institutions and other lenders.

The new construction figures show that practically half of all last year's \$16½ billion of building permits issued were for construction in the suburbs of the nation's metropolitan areas. Twenty per cent more were for non-metropolitan building. Thus only about 30 per cent of the 1954 construction activity took place in the central cities of metropolitan districts.

Some of the individual figures are even more striking when the construction totals are broken down by type of building and location. For example, more than half of all factories built in the United States in 1954, in terms of construction costs, were in suburban areas, and 20 per cent more were located outside metropolitan limits. In fact, new industrial plants were second only to housing last year in the degree of their concentration in suburban communities, providing more and more people with a source of livelihood in their own locality.

Based on dollar valuation of building permits, more than two-fifths of all store and mercantile establishments put up last year were in the suburbs, and another fifth beyond the metropolitan fringe. Shopping centers played a big role here. While office buildings are still a big city characteristic, more than a quarter of the new ones built in 1954 were located in the suburbs and an additional 13 per cent were in non-metropolitan areas.



Carroll J. Pierce, Phoenix, Is Named New President of the Arizona MBA

Carroll J. Pierce was elected president of Arizona MBA. Pierce is with Standard Mortgage Co., and succeeds Kenneth C. Brown of the First National Bank of Arizona.

Paul E. Greer of Greer Mortgage Co., Tucson, was named vice president and Harry Swain of Pacific Mutual Life Insurance Co., secretary-treasurer.

Elected to serve on the board of directors, along with the three officers, were:

Roy F. Flesh of Western States Mortgage and Investment Co., George Kosatka of A. B. Robbs Agency, John H. Rhuart of Valley National Bank, and Brown, all of Phoenix.

Also, Gordon Paris of Tucson Federal Savings and Loan Co., and John Boettscher of the Bank of Flagstaff.

»ATTENTION LOCAL MBA PROGRAM CHAIRMEN: Want to get up a program for your association that is new, different, will give the members something they haven't had before? Then consider two ideas tried out recently by other local MBAs.

First, try a meeting devoted to nothing but servicing. The Texas, Philadelphia and certain other MBAs have done so with considerable success and are now making servicing clinics a regular part of their annual schedules. And you might go still a step further and try out the idea that the Philadelphia MBA recently used in their servicing clinic, which was attended by 181. One of the things particularly attractive about these servicing meetings is that you get a better representation of member firm personnel at the workshop level. The so called "top brass" of member firms usually catch the national and regional MBA meetings, so these local affairs can be pretty well slanted to everybody else in the local firms.

Philadelphia MBA broke their second annual Servicing Seminar down into four component parts:

» Mortgage Servicing Controlled Accounting, directed by A. A. Johnson, vice president, Colonial Mortgage Service Co.

» Insurance, the problems of the mortgage servicing company regarding fire insurance, directed by W. E. Caveny, Jr., vice president, Seaboard Agency, Inc. John W. Walleigh, Jr., vice president, Penn Central Insurance Agency, Inc., spoke on the responsibility of the mortgage servicing company to the mortgagee in the event of a sale subject to the mortgage, and Robert G. Willey, secretary-treasurer, Eastern Agency, Inc., spoke on the responsibility of a mortgage servicing company to the mortgagor or property owner.

» Foreclosures, directed by V. H. Schlesinger, vice president, Eastern Mortgage Service Co. Speakers were Jackson G. Denton, Provident Mutual Life Insurance Co. and Philips S. Sears, VA loan guaranty division.

» Delinquencies, directed by W. E. Leary, assistant treasurer, Central Mortgage Co. Speakers were Ray Switzer, treasurer, Quaker City Federal Savings & Loan Association; William Davis, Western Saving Fund Society; M. L. Rannenberger, Fidelity Mutual Life Insurance Co. and Ray McGinley, Eastern Mortgage Service Co.

The Philadelphia group went one step further and printed an attractive booklet on the four general subjects with a series of questions asked about each one, how members benefited from the talks, what suggestions they had for improvements, etc. The questions were answered immediately at the conclusion of a topic and in this way the program committee will be in a better position to direct future efforts.

Another local MBA tried out an innovation that met with considerable success. The Columbus, Ohio MBA, headed by W. W. Wheaton, president, The Galbreath Mortgage Company, with Joseph M. Downs, vice president, The Ohio State Life Insurance Company, as program chairman, adopted an unique quiz for their meeting. A questionnaire was submitted to the members, asking such questions as how did Columbus rank in population in the 1950 census? What is the present monthly growth in population? How many children born in the county in 1953? How many were third children, etc., etc.?

The questionnaire idea was a good one for testing members' knowledge of their own community and familiarity with the basic facts that govern their own business. The result was a lively session.

Yes, it is often difficult to visualize something new in the way of a local mortgage meeting but new slants can be found, as Philadelphia and Columbus have demonstrated.

The Chicago MBA, for a long time now, has been issuing a series of briefs, each one prepared by the committee in charge of that particular activity. As an example, a recent offering was an appraisal brief discussing the problem of gross income multipliers. The brief said "Appraisers and informed buyers and sellers of real estate usually are quite justifiably skeptical about the accuracy of a valuation arrived at by multiplying the gross income by some number. However, there can be no doubt that such multipliers are widely used and, because of this, it becomes necessary to be familiar with their use. If properly used, they can be helpful despite the possible dangers and inaccuracies. The obvious reason that gross multipliers are used is the simplicity of multiplying one number by another. It is equally obvious that if either number is wrong the resulting answer will be wrong."

Here's Assistance You Can Use in

YOUR FHA LENDING

MBA has again published *FHA Payments at a Glance* in convenient booklet form. With it you can determine instantly the payments on 15, 20, 25 and 30-year loans. The loan amount is shown, the monthly payments of principal and interest, the mortgage insurance premium and total payments.

Every mortgage company making FHA loans will find this book of great help to staff members — and placing a copy in the hands of every FHA borrower will be good business. When you use it with borrowers, have your firm name imprinted on the cover. Costs are:

Less than 100	25c each	500	$ 86
100	$21	1,000	$153
300	$58	2,000	$260

(Plus an additional $4 per order for imprinting)

Order your supply by using the coupon below

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Please send me ____ copies of *FHA Payments at a Glance*. My check for $____ is attached.

The imprinting I want on the cover is (limit imprinting to firm name, address, telephone number and short message totaling not more than five lines):